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Daily Report China

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General

Foreign Ministry Holds Weekly News Conference

Dalai Lama To Visit Japan

OW3003094595 Beijing XINHUA in English 0936
GMT 30 Mar 95

[FBIS Transcribed Text] Beijing, March 30 (XINHUA)—The Japanese Government's permission of the Dalai Lama's entry into the country has hurt the feelings of the Chinese people and will bring about a negative impact on Sino-Japanese relations, Chinese Foreign Ministry Spokesman Chen Jian said here today.

He made the statement when asked to comment on Japan's recent decision to allow the Dalai's entry into the country at a weekly press conference.

"We deeply regret and displease [as received] with the Japanese Government's decision," he said, adding, "It is known to all that the issue of Tibet, which bears upon China's sovereignty and unity, is a sensitive political one."

Moreover, he said, "the Dalai is not an ordinary religious figure, but rather a political figure in exile who has long been engaged in activities designed to split China and sabotage the unity among its nationalities under the disguise of religion."

"The Dalai has obviously harbored political motives in his visit to Japan. He attempts to continue his separatist activities in the country," Chen Jian warned.

Qiao To Visit Japan, ROK

OW3003092295 Beijing XINHUA in English 0906
GMT 30 Mar 95

[FBIS Transcribed Text] Beijing, March 30 (XINHUA)—Qiao Shi, chairman of the Standing Committee of the Chinese National People's Congress, will pay an official goodwill visit to Japan and the Republic of Korea (ROK) from April 10 to 22, a Foreign Ministry spokesman announced at a weekly press briefing here today.

According to the spokesman, Qiao has been invited by Speaker of the House of Representatives Takako Doi and President of the House of Councillors Hara Bunbe of the Japanese Diet, and Speaker of the ROK National Assembly Hwang Nak-Zu.

Kuwaiti Official To Visit

OW3003093595 Beijing XINHUA in English 0919
GMT 30 Mar 95

[FBIS Transcribed Text] Beijing, March 30 (XINHUA)—At the invitation of the Chinese Premier Li Peng, Crown Prince and Prime Minister of the State of

Kuwait His Highness Shaykh Sa'd al-'Abdallah al-Salim al-Sabah will pay an official goodwill visit to China from April 5 to 10.

This was announced by Foreign Ministry Spokesman Chen Jian at the weekly press conference here today.

Portuguese President To Visit

OW3003092995 Beijing XINHUA in English 0912
GMT 30 Mar 95

[FBIS Transcribed Text] Beijing, March 30 (XINHUA)—At the invitation of Chinese President Jiang Zemin, President of the Republic of Portugal Mario Alberto Nobre Lopes Soares will pay a state visit to China from April 11 to 17.

Foreign Ministry Spokesman Chen Jian made the announcement at the weekly press briefing here today.

Russian Invitation Considered

OW3003105095 Tokyo KYODO in English 1006 GMT
30 Mar 95

[FBIS Transcribed Text] Beijing, March 30 KYODO—China's Foreign Ministry spokesman said Thursday [30 March] the possible attendance of President Jiang Zemin at a Moscow ceremony commemorating the 50th anniversary of the end of World War II has not been decided.

Jiang was invited by Russian President Boris Yeltsin to attend a May 9 event to commemorate the allied victory in World War II. U.S. President Bill Clinton will attend the ceremony.

"We did pay attention to the relevant reports, the Chinese leader has also received an invitation for that purpose and we are now studying that invitation," Chen Jian said at his weekly briefing.

'Roundup' Reviews Perry Visit to Gulf Region

HK3003050595 Beijing RENMIN RIBAO in Chinese
27 Mar 95 p 6

[Roundup by staff reporter An Guozhang (1344 0948 4545): "Perry's Trip to the Gulf"]

[FBIS Translated Text] Abu Dhabi, 24 Mar (RENMIN RIBAO)—On 23 March, U.S. Defense Secretary Perry concluded his six-day trip to the Persian Gulf. During his visit, he had discussions with the leaders of Saudi Arabia, Kuwait, Bahrain, the United Arab Emirates, and Qatar on the latest developments on the situation in the Gulf. They also discussed the presence of U.S. military forces in the region.

The Gulf region is one of the key areas in U.S. foreign policy. Back in the Carter administration, the United States had already put forward that "the Gulf region is an area of strategic importance to the U.S. economic lifeblood." The Gulf region, located near the juncture of the three continents of Asia, Africa, and Europe,

abounds with oil. Nowadays, the Gulf region supplies over 20 percent of the world's oil demand. The United States shares 25 percent of the world's total oil consumption, half of which is imported from the Gulf region. It is reported that in the wake of the decrease in U.S. oil reserves, the U.S. demand for Gulf-produced oil will increase by a wide margin. U.S. official data show that the United States' proven oil reserves are about 28 billion barrels, barely enough to meet U.S. oil consumption for four years at present levels of consumption. Therefore, the Gulf region is of extremely great strategic importance to the United States. The United States holds that its interests in the Gulf face threats from Iran and Iraq. Recently, the United States again accused Iran of deploying missiles in the Strait of Hormuz, and complained against Iraq for re-expanding its armed forces. It is under such circumstances that Perry visited the Gulf on this occasion.

It is reported that during his visit to the Gulf, Perry reiterated, on the one hand, that "the Gulf is an indispensable part of U.S. security strategy" and pointed out that "Iran is strengthening its military muscle in the Strait of Hormuz to an extent beyond its defensive needs." On the other hand, he showed leaders of the host countries some satellite photos as evidence of Iraq's possession of the materials and ability to produce biochemical and nuclear weapons in the next few years, and he urged countries in the Gulf region to support U.S. policy toward Iran and Iraq. However, both Iran and Iraq have stated that the U.S. accusation against them is "a complete distortion of facts" and therefore "groundless."

Strengthening U.S. military influence in the Gulf region is an important topic of the talks between Perry and the leaders of the countries in the Gulf region. During his visit, Perry proposed that "military cooperation with Gulf countries should be enhanced, U.S. arms reserves in the Gulf region should be increased, and the United States should be allowed to use naval and air bases in the Gulf region to cope with contingencies." However, Saudi Arabia turned down the U.S. request for maintaining arms and military facilities in the country, while Kuwait agreed only to let the United States maintain its arms reserves and military facilities in the country at the present level, which is enough to arm only a brigade. In any case, however, Perry still believes that all the host countries he visited on this occasion "support U.S. military presence in the Gulf."

The press here pointed out that another purpose of Perry's Gulf trip was to sell U.S. arms, and to expand its share of the arms market. Reports said that wherever Perry arrived, he stressed that countries in the Gulf region need to increase their own defensive force in order to "deal with the threat of Iran and Iraq, and to safeguard stability in the Gulf." He therefore asked Gulf countries to buy U.S. weapons. During his visit to the United Arab Emirates, Perry attended "Defense Expo '95," which was being held in Abu Dhabi, and met with

the person in charge of the sizable U.S. military delegation. Perry said candidly, "I do not come here as an arms salesman, but in view of the quality and features of U.S. arms, I encourage the United Arab Emirates to buy U.S. weapons." It is reported that Perry was not "disappointed" in this regard.

The press here said this visit by Perry to the Gulf has strengthened military cooperation between the United States and Gulf countries to a certain extent, as well as U.S. military presence in the region.

'Roundup' Views Hillary Clinton Pakistan Visit

OW2903153095 Beijing XINHUA in English 1450
GMT 29 Mar 95

["Roundup" by Pan Yi: "Hillary Focuses Pak Trip on Apolitical Issues"]

[FBIS Transcribed Text] Islamabad, March 29 (XINHUA)—U.S. first lady Hillary Clinton has focused her first-ever visit to Pakistan on social matters although there exist some political irritants between the two countries.

The most encouraging promise given by Mrs. Clinton was that the US government would begin in the coming weeks to implement an assistance program in Pakistan through non-governmental organizations to strengthen its family planning and child survival services.

The program would also be aimed at expanding educational opportunities for Pakistani girls, said the US first lady.

Hillary Clinton started her two-day Pakistan tour, which is the first leg of her two-week visit to South Asian countries, on Saturday midnight.

During her visit in Pakistan, Hillary showed her special interest in what is being done positively in this country to promote education for women and girls and to deal with violence against them.

Pakistani Prime Minister Benazir Bhutto apprised Mrs. Clinton of her government's achievements such as the establishment of the first women's bank and special women's police stations, induction of women in judiciary and 10 percent quota for women in all bureaucratic jobs.

Some non-social development subjects were also touched upon in the two ladies' talks, when they mentioned the plight of women in Kashmir, Pakistan's anti-narcotics measures and the Pressler Amendment, but these were not discussed any further after Hillary Clinton said that she and her husband Bill Clinton appreciated the principled stance taken by Pakistani government on terrorism and violence.

No press conferences were arranged and all the journalists were kept a distance from the U.S. first lady when

she went sightseeing in Islamabad and Lahore, the provincial capital of Punjab province.

It was worth mentioning that local press "Muslim" reported that Hillary Clinton also told Benazir Bhutto that the U.S. administration is framing policies which can help remove hurdles to U.S. companies' investment in Pakistan despite the existence of the Pressler Amendment.

The Pressler Amendment, passed by U.S. congress in 1990, requires the U.S. government to stop military, economic, and technical assistance to the countries which are considered developing nuclear weapons.

Despite Pakistan's repeated denial of making nuclear bombs, the U.S. put Pakistan on the blacklist and not only cut down the assistance but also refused to hand over dozens of F-16 jet fighters which Pakistan had already paid for.

As Benazir Bhutto will visit the U.S. next month, people are eager to see if she can make some progress in removing the hurdles in Pak-US relations.

Beijing Calls For Better Use of Biotechnology

OW3003032495 Beijing XINHUA in English 0226
GMT 30 Mar 95

[FBIS Transcribed Text] Madrid, March 29 (XINHUA)—Progress in medical science and biotechnology should be used to better serve human beings but care should be taken to prevent misuse, a Chinese delegate told an international conference here today.

Addressing the 93rd session of the Inter-Parliament Union (IPU) on "Bioethics and Its Implications Worldwide for Human Rights Protection," Lin Liyun, a member of the Standing Committee of the Chinese National People's Congress (NPC), observed, "Any progress in science and technology has two sides."

"While benefiting mankind by providing solutions to outstanding problems, it may also cause undesirable and even disastrous consequences to human beings if the new technology is misused," she said.

Lin urged all countries to exchange views on this question so that biomedical science can better serve mankind.

Turning to the relationship between bioethics and human rights protection, Lin noted that it is only natural that different countries should have different views and policies on the relationship between bioethics and human rights protection, due to differences in history, religion and culture, as well as the difference in the level of economic development and medical science.

Bioethics is a new discipline and "Issues related to this new science are often too disputatious to be agreed upon even in the same country. We are opposed to the practice of imposing one's views on others and we are more

opposed to making groundless fabrications and willfully laying charges against other countries under the pretext of protecting human rights," Lin added.

With advances in biotechnology, medical science is facing many new and difficult problems never seen before, she said.

Practices like the transplantation of human organs, genetic engineering and artificial reproduction have brought about a series of social, ethical and legal problems, which have caused concern among medical scientists, biologists, sociologists, religious figures, legislators, decision-makers and the general public, Lin noted.

She pointed out that China believes the principles of voluntary donation and informed consent must be the basic guidelines for the collection of human organs.

The laws of many countries prohibit the commercialization of human organs, and the guiding principles on organ transplantation of the World Health Organization also prohibit the sale and purchase of organs.

Trading in human organs seems to go on between some developed and developing countries, the victims of which are the poor people in the developing countries, she said.

United States & Canada

Jiang Zemin Meets IBM President

OW2903131895 Beijing XINHUA in English 1257
GMT 29 Mar 95

[FBIS Transcribed Text] Beijing, March 29 (XINHUA)—Chinese President Jiang Zemin met with L. Gerstner, president and chief executive officer of the International Business Machines Corporation (IBM), of the United States, and his party here today.

During the meeting, Gerstner briefed Jiang on IBM's development strategy involving advanced science and technology.

IBM hopes to have long-term cooperation and partnership with Chinese scientific and educational circles as well as its information industry, he said.

Jiang expressed his appreciation for this, and said that cooperation between Chinese and U.S. companies, including IBM, benefits both sides. He expressed the hope that Sino-U.S. cooperation in the high-tech fields could be further expanded, based on equality and mutual benefit.

Hu Qili, Chinese minister of the electronics industry, took part in the meeting.

Northeast Asia

Japanese Cabinet Discusses Financial Measures

OW2903153395 Beijing XINHUA in English 1449
GMT 29 Mar 95

[FBIS Transcribed Text] Tokyo, March 28 (XINHUA)—Japan's cabinet ministers agreed today on the need to

return the positive effects of the rising yen to consumers and to start some major public works projects earlier so as to help get the Japanese economy steadily back on track.

At an informal cabinet meeting, the ministers gave the green light to the short-term fiscal and monetary policy announced on Monday [27 March] by Finance Minister Masayoshi Takemura that envisions an early compilation of a supplementary budget for fiscal 1995, the KYODO NEWS SERVICE quoted Chief Cabinet Secretary Koza Igarashi as telling reporters.

The ministers shared the view that the government should take necessary steps to jump-start the flagging economy, though recovery signs are slowly emerging on a broad front, Igarashi said.

Specifically, the ministers saw eye to eye on the necessity to show the merits of the soaring yen such as the fall of prices, KYODO said.

Economic Planning Agency Chief Mashiko Komura told the cabinet session that he has already instructed his agency staff to map out a strategy for returning to consumers the benefits of the yen's steep rise against the U.S. dollar and other major currencies.

The ministers also agreed on the need to consider implementing some major public works projects earlier than originally scheduled, according to the news service.

Igarashi said the ministers did not specifically discuss whether the Bank of Japan should lower its official discount rate to arrest the yen's unabated strength and the resultant dampening effects on the economic recovery.

On Monday, the finance minister indirectly asked the central bank to cut its key lending rate from the already all-time low of 1.75 percent per annum so as to prevent the yen's surge from adversely affecting the economy.

Japanese Business Delegation Tours Shanghai

OW2903132495 Beijing XINHUA in English 1256
GMT 29 Mar 95

[FBIS Transcribed Text] Shanghai, March 29 (XINHUA)—Shanghai Mayor Xu Kuangdi met here today with a Japanese delegation headed by Masashi Suzuki, chairman of the Nomura Group, Japan's famous securities firm.

Xu said that Shanghai is placing priority on the service and high-tech industries and will expand economic cooperation with foreign countries.

Suzuki, who met with Chinese Premier Li Peng in Beijing on Monday [27 March], said that his company is willing to further cooperative ties of Japanese companies with their Chinese counterparts, especially those in Shanghai.

It was revealed that Suzuki's current tour is aimed at studying China's reform policy and exploring the possibility of cooperation with China, particularly in the power and transportation fields.

Suzuki is in China as guest of the China Association for International Friendly Contacts. During his stay in Beijing, he had discussions with China's Ministry of Machine-Building Industry and the State Development Bank.

NPC's Cheng Siyuan Meets Japanese Commentator

OW3003075295 Beijing XINHUA in English 0745
GMT 30 Mar 95

[FBIS Transcribed Text] Beijing, March 30 (XINHUA)—Cheng Siyuan, Vice-Chairman of the Standing Committee of the National People's Congress, met with Nobuhiko Ochiai, a Japanese political critic, here this morning.

The Japanese guest started his China visit on March 15 at the invitation of the Chinese People's Institute of Foreign Affairs.

Beijing, Pyongyang Sign Sports Agreement

OW2903161995 Beijing XINHUA in English 1617
GMT 29 Mar 95

[FBIS Transcribed Text] Pyongyang, March 29 (XINHUA)—The 1995 sports exchange agreement between China and the Democratic People's Republic of Korea was signed here on Wednesday [29 March].

According to the agreement, the two sides will send nine sports teams including basketball, soccer, boxing, and mountaineering squads to visit each other in the year.

ROK Test Fires Surface-to-Air Missile

OW2903152995 Beijing XINHUA in English 1454
GMT 29 Mar 95

[FBIS Transcribed Text] Seoul, March 28 (XINHUA)—The South Korean army has recently successfully test-fired a short-range surface-to-air missile developed almost entirely with domestic technologies, a military source disclosed here today.

The source said that the launching pad of the missile, dubbed "Chonma," and the defense acquisition radar were manufactured entirely with local technologies and materials, while the guidance system was procured from foreign contractors.

However, he did not disclose the name of the foreign contractors.

"Chonma" is to be used for defending tank units and air bases along with 30-millimeter anti-aircraft guns, according to the source.

The missile was developed by the South Korean Agency for Defense Development in cooperation with civilian defense contractors as a weapon designed to intercept "low-flying enemy aircraft," the source added.

South Korea will start mass production of the missile in 1998 and plans to deploy some 140 missiles in army units.

ROK President Meets CPC Delegation

SK3003025695 Beijing China Radio International in Korean 1100 GMT 29 Mar 95

[FBIS Translated Text] Kim Yong-sam, president of the ROK and chairman of the Democratic Liberal Party, met with a CPC delegation led by Li Shuzheng, head of the International Liaison Department of the CPC Central Committee at the ROK presidential offices on 30 March. Amid a friendly and sincere atmosphere, they exchanged views on issues of common concern, such as PRC-ROK relations and the situation on the Korean peninsula.

During the meeting President Kim Yong-sam stated, "I warmly welcome the delegation of the CPC visiting the ROK at the invitation of the Democratic Liberal Party, the ROK ruling party." He stated that in developing relations between the two countries, it is very important for the ruling parties of the ROK and PRC to promote friendly exchanges, pointing out that ROK-PRC relations in various areas have developed more rapidly since the establishment of diplomatic relations in 1992. He added that the new developments achieved in ROK-PRC relations since 1994 occurred primarily in the areas of economic and trade cooperation and manpower exchanges.

Li Shuzheng, head of the International Liaison Department, stated, "The CPC is very interested in developing friendly relations between the PRC and ROK and, also, regards it as important to develop friendly relations with the ROK Democratic Liberal Party based on the principles of sovereignty, independence, complete equality, mutual respect, and noninterference in each other's internal affairs." Li Shuzheng, head of the department, said that the ROK visit by the CPC delegation is intended to further improve relations between the countries and between the two parties by promoting interests, by strengthening trust, by developing friendship, and carrying out cooperation.

A delegation led by Li Shuzheng, the head of the department, arrived in Seoul on 27 March for a eight-day visit to the ROK.

West Europe

Air Service Inaugurated Between Beijing, Milan

OW3003040495 Beijing XINHUA in English 0323 GMT 30 Mar 95

[FBIS Transcribed Text] Milan, March 29 (XINHUA)—A ceremony was held in Malpensa in the suburbs of Milan today to mark the first flight between Beijing and Milan.

Attending the ceremony were Mayor of Milan Marco Formentini, Vice President of Air China Dong Yongchang, Chinese Ambassador to Italy Wu Minglian, people from Italy's industrial and commercial circles and overseas Chinese in Milan.

Addressing the ceremony, Formentini said that the opening of the air service between Beijing and Milan will promote cultural and economic relations between the two countries.

Vice President Dong said at the ceremony that since the first air route between China and Italy was opened between Beijing and Rome in 1986, the number of passengers and volume of goods have been increasing yearly.

The opening of the new air route will strengthen friendship and understanding between the two peoples and promote cooperation in the political, economic, trade, technological and cultural fields between the two countries, he added.

Spanish King, Wu Bangguo Address Symposium

OW3003111395 Beijing XINHUA in English 0958 GMT 30 Mar 95

[FBIS Transcribed Text] Beijing, March 30 (XINHUA)—Spanish King Juan Carlos said here today that Spain attaches importance to its relations with China and has the ability to take part in China's industrial upgrading in the energy, telecommunication, electronics, transportation and infrastructure fields.

Addressing the third symposium on cooperation between Chinese and Spanish entrepreneurs, which opened here today, the king said there have been substantial changes in Spanish-Chinese relations in recent years.

Exchanges of high-level visits have been increasing, and cooperation in economy, trade, finance, technology and other fields has been growing rapidly, he said.

He added that more and more Spanish entrepreneurs have come to China and Chinese entrepreneurs have visited Spain.

The Spanish head of state said that it is pleasing that Wu Yi, Chinese minister of foreign trade and economic cooperation, is to visit Spain at the head of an important business delegation.

He said that today's meeting of Spanish and Chinese officials and entrepreneurs, and their discussions on projects of common interest would further promote bilateral trade and technological, economic cooperation.

Speaking at the symposium, Chinese Vice-Premier Wu Bangguo said it is important that Chinese and Spanish entrepreneurs conduct in-depth discussions on economic cooperation and trade.

There is great potential for Sino-Spanish economic cooperation since the two countries' economies are mutually complementary, Wu said, adding that the trade relations between the two countries have developed rapidly in recent years and bilateral cooperation has extended to more fields.

According to Wu, the Sino-Spanish trade volume in 1994 exceeded 1.6 billion U.S. dollars, whose growth rate is higher than those between China and other members of the European Union.

So far, he said, the two countries have carried out a large number of projects of economic and technological cooperation, and Spain has successfully opened joint ventures in China.

"We are happy with these favorable developments in economic cooperation and trade," Wu noted.

"The Chinese government attaches importance to and is willing to have more economic contacts and trade with Spain," he said.

"Foreign capital is welcomed to be invested into China in accordance with the country's industrial policies and in a variety of forms, and China looks forward to more actions by the developed countries in the aspect of technology transfer," he said.

Also today, Chinese State Councillor Peng Peiyun met with Queen Dona Sofia at the Great Hall of the People. They had a cordial conversation on friendly contacts between women of the two countries and other issues.

Earlier today, the Spanish royal couple visited some historic and cultural sites in the Chinese capital.

At the residence of the late Soong Ching Ling, wife of China's revolutionary pioneer Sun Yat-sen, the royal visitors had a brief meeting with Huang Hua, chairman of the Soong Ching Ling Foundation and former foreign minister.

Spanish Royals, Rong Yiren Attend Exhibition

*OW3003115695 Beijing XINHUA in English 1126
GMT 30 Mar 95*

[FBIS Transcribed Text] Beijing, March 30 (XINHUA)—Visiting Spanish King Juan Carlos and Queen Dona Sofia today went to the China National Gallery to attend the "Joan Miro: The Spirit of the Orient" exhibition.

The royal couple opened the great contemporary Spanish artist's exhibition by cutting a red ribbon together with Chinese Vice-President Rong Yiren. The royal couple also accepted a piece of calligraphic work from China's Central Academy of Fine Arts.

About 300 personalities attended today's opening ceremony.

The show, co-sponsored by Spain's Pilar and Joan Miro Foundation and China's Central Academy of Fine Arts, displays 45 paintings on canvas or board, 48 works on paper or card, 10 bronze sculptures and 26 original etchings and lithographs.

The concept and contents of the exhibition are based on the period when the oriental art and thought began to exercise great influence on Joan Miro's works, especially after his first visit to Japan in the autumn of 1966.

Carlos and Sofia are here on a state visit to China.

Qian Qichen Confers With Swedish Counterpart

*OW2903163795 Beijing XINHUA in English 1633
GMT 29 Mar 95*

[FBIS Transcribed Text] Helsinki, March 29 (XINHUA)—Chinese Vice Premier and Foreign Minister Qian Qichen today met with his Swedish counterpart Lena Hjelm-Wallen in Stockholm, capital of Sweden.

During the meeting, Qian said that the Chinese government pays close attention to the development of its friendship and cooperation with Sweden.

He described the present Sino-Swedish relations as good and said that there have been more contacts between leaders of the two nations in recent years.

The Chinese foreign minister said that there will be an exchange of important visits between senior officials of the two countries this year. He believed such visits could deepen mutual understanding and cooperation between the two countries.

He also said economic and trade relations between the two countries have developed rapidly in recent years and China has become an important trading partner of Sweden.

Wallen said that Sweden is one of the first Western countries to establish diplomatic relations with New China.

She said Sweden is satisfied with the present bilateral relations and the development of bilateral trade with China.

The Swedish foreign minister said Sweden hopes that the European Union (EU) is an open organization and should not become a stronghold.

She said she believes that Sweden's entry into the EU will help further develop economic cooperation between Sweden and China.

UK's Major Seeks Long-Term Partnership

HK3003055695 Hong Kong SOUTH CHINA
MORNING POST in English 30 Mar 95 p 9

[From Europe Editor, David Wallen in London]

[FBIS Transcribed Text] British Prime Minister John Major yesterday said Britain would seek to develop a long-term economic partnership with China but at the same time continue political dialogue such as human rights with Beijing.

Addressing more than 700 diplomats, academics and experts at a London conference entitled "Britain in the World," he said as London was taking a long-term view of Russia in the face of setbacks like Chechnya so it would take a similar view of China.

"No longer is China a sleeping giant. We have welcomed China's advance on the world scene. We want to bring it into economic partnership and political dialogue. At the same time, we have not minced our words about human rights," he said.

He ran through current British foreign policy but posed a series of questions about how it could develop into the 21st century. "By then, the Asian tigers, once aid recipients bearing a Third World label, should be prosperous players in the economic first division. How will this change the balance of political power?" he asked. "Will China realise her huge potential, and to what effect?"

He gave a ringing endorsement to Governor Chris Patten's policies, telling the audience that Britain was fulfilling its "vital responsibilities" to Hong Kong.

East Europe

Czech Republic Opens New Consulate General

OW2903111295 Beijing XINHUA in English 1102
GMT 29 Mar 95

[FBIS Transcribed Text] Shanghai, March 29 (XINHUA)—The Czech Republic has recently set up a consulate general in Shanghai, making it the 23rd in the municipality, XINHUA learned today.

The consulate general is located on the city's busy Huaihai Road.

In addition to Shanghai, the business area of the consulate general covers the neighboring provinces of Jiangsu, Zhejiang and Anhui in east China.

Polish Premier Stresses Ties With Beijing

OW3003062395 Beijing XINHUA Domestic Service in
Chinese 0130 GMT 25 Mar 95

[By reporter Shao Jin (6730 6651)]

[FBIS Translated Text] Warsaw, 24 Mar (XINHUA)—At a meeting with Chinese Ambassador to Poland Liu Yanshun on 24 March, Polish Premier Oleksy pointed out that the Polish-Chinese relationship is a very important factor in Poland's foreign policy, in which a stable, economic, scientific, and cultural relationship should play a major role.

Liu Yanshun said that China and Poland have a traditional friendship and that China respects Poland's choice in the areas of social system and economic changes. He hoped Sino-Polish economic cooperation would bear rich fruits.

Political & Social**Jiang Zemin Transfers Supporter Wang to Beijing***HK2903140695 Hong Kong LIEN HO PAO in Chinese
28 Mar 95 p 5*

["Dispatch" from Beijing by special correspondents Teng Pi-yun (6772 0012 0061) and Wang Mei-hui (3769 5019 1920): "Jiang Zemin Transfers Wang Huning to Beijing"]

[FBIS Translated Text] In order to build up the theoretical authoritativeness of his leading group, CPC General Secretary Jiang Zemin recently made a special move again to transfer Wang Huning, former dean of the Shanghai Fudan University Law School, to Beijing to work in the CPC Central Research Office. According to an analysis, Wang Huning's transfer to Beijing implies that Jiang Zemin has not effectively incorporated the talents of the mainland theoretical circles into his own forces. This is another attempt by Jiang Zemin to rely on the "Shanghai faction" to build up a clear-cut line for the post-Deng era.

A political observer in Beijing pointed out: Mao Zedong and the first-generation CPC leadership advocated "communism," the second-generation leadership headed by Deng Xiaoping focused on "reform and opening up," but so far, Jiang Zemin and the third-generation leadership have not built up their own theoretical banner. Hence, the third-generation leadership are generally regarded as lacking a theoretical and "spiritual mainstay" and are having difficulty in building up their own style in the CPC's history, so they should merely play a transitional role.

Jiang Zemin, who has recently made moves to form the "Shanghai faction," decided to transfer Wang Huning, an "effective writer" in Shanghai in those days, to Beijing in order to build up the theoretical authority of the leadership headed by Jiang. It has been pointed out that Wang Huning is not a "good hand" in mainland theoretical circles. He is a voluminous writer but most of his works are translations of Western theories. Therefore, his transfer implies that Jiang Zemin is really in need of theoreticians and, since he could not find any in Beijing, he had to transfer Wang to Beijing to work for him.

In fact, as early as two years ago, Jiang Zemin transferred Liu Ji, a veteran cadre in Shanghai in those days, to the Chinese Academy of Social Sciences to act as vice president. However, it is understood that most of the leftists in the academy, the cradle of the mainland theoretical circles, are Deng Liqun followers, whereas the rightists are not willing to throw in their lot with Jiang Zemin. Hence, Wang Huning's transfer to Beijing shows that Liu Ji has failed in incorporating the academy into their own forces.

Vice Premier Wu Bangguo Inspects Sichuan Sites*HK2903145595 Chengdu Sichuan People's Radio
Network in Mandarin 2300 GMT 27 Mar 95*

[FBIS Translated Text] From 21 to 27 March, Wu Bangguo, CPC Central Committee Political Bureau Standing Committee member and vice premier of the State Council, and person in charge of the State Economic and Trade Commission and the State Commission for Restructuring the Economy, inspected large and medium state-owned enterprises and the Three Gorges Dam area in Sichuan.

Vice Premier Wu pointed out: Large and medium state-owned enterprises have their own unique strong points. We should have a correct understanding and analysis of the strong points and difficulties of old industrial bases, bring the positive role of old industrial bases and high-priority enterprises into full play, develop and invigorate the state-owned economy as a whole, and restore the prestige of Sichuan as an old industrial base.

During the inspection tour of Sichuan, Vice Premier Wu was accompanied by Wang Zhongyu, minister of the State Economic and Trade Commission, (?Zhang Zhuoyu), deputy secretary general of the State Council, Hong Hu, vice minister of the State Commission for Restructuring Economy, and other leading comrades.

Accompanied by provincial party Secretary Xie Shijie, Governor Xiao Yang, Vice Governors Pu Haiqing, Li Meng, and Gan Yuping, and other leading comrades, Vice Premier Wu and his party inspected the large and medium enterprises such as the Chengdu Hongguang Enterprise Company Limited, the Sichuan Chemical Industrial Group Company, the Deyang Dongfang Electric and Machinery Plant, the Second Heavy-duty Machinery Plant, and the Chongqing Jialing Machinery Shareholding Company Limited, one after another. Moreover, they held separate discussions with the directors or managers of more than 20 large and medium state-owned enterprises, including the Panzhihua Iron and Steel Complex, the Zhanghong [Electronics Group], and the Chongqing Iron and Steel Complex, in Chengdu and Chongqing.

After hearing the reports by the persons in charge of the provincial party committee and the provincial government, Vice Premier Wu said: Sichuan Province, which has a vast territory, abundant natural resources, and a solid industrial foundation, carries a lot of weight in China's national economy. In the last few years, Sichuan's overall situation has been fine.

When discussing the issue of deepening enterprise reform and revitalizing large and medium state-owned enterprises, Vice Premier Wu said: At present and for a period of time to come, stress should be placed on carrying out the following three tasks well:

1. Support a batch of high-priority enterprises and enterprise groups.

2. Support the revitalization of the old industrial bases where state-owned enterprises are relatively concentrated.

3. Step up efforts to readjust the coal, forestry, military, textile, and other industries in difficulties.

Through reform, the enthusiasm of localities, departments, and enterprises should be brought into full play and efforts should be made to improve the quality and efficiency of the national economy as a whole.

When talking about revitalization of old industrial bases, Vice Premier Wu said: Sichuan is an old industrial base, where state-owned enterprises are relatively concentrated. Although state-owned enterprises have some difficulties, old industrial bases still have their own unique strong points. The key to further bringing Sichuan's role as an industrial base into play lies in a greater readjustment effort. First of all, on the basis of full investigation and study, we should develop strong points and avoid weak ones and form a line of thinking on development commensurate with the realities in Sichuan. Second, we should shift the focus of work to readjustment and support, readjust, and merge a batch of state-owned enterprises so that they will have their own high-priority industries and competitive products. The large and medium enterprises, which promise good efficiency and have conditions to solve the problem of debt left over from the past, should make solid efforts to solve the problem. Third, we should really shift the starting point of work to improvement of the quality and efficiency of economic growth and to the track of reliance on technological progress and improvement of the quality of laborers. To intensify reform of large and medium state-owned enterprises, we should support a number of new growth points. I am confident that Sichuan will certainly be able to restore its prestige as an industrial base.

While inspecting the Three Gorges Dam area, after hearing the report by Vice Governor Gan Yuping on the immigration work in the area, Vice Premier Wu pointed out: The Three Gorges Project is an eye-catching, big project. The success of the project depends on the immigration work to a greater extent. We should implement the principle of exploitative immigration and uphold the principle of state assistance, preferential policy, support from various sides, and self-reliance, and carry out the work in line with local conditions. Immigration work should be done well, meticulously, and at an earlier date. Cadres should care for the masses, go deep into the realities of life, go down to the grass-roots units, and do their utmost to resettle millions of immigrants and build the dam area well.

Jiang Chunyun Addresses Forest Fire Conference
OW2903135395 Beijing XINHUA in English 1244
GMT 29 Mar 95

[FBIS Transcribed Text] Beijing, March 29 (XINHUA)—Vice-Premier Jiang Chunyun, speaking at a

national teleconference on forest fire prevention here today, called on government offices to pay more attention to this subject.

The vice-premier said that the fire situation is rather serious this spring, and leading government officials must give top priority to the work.

According to the State Meteorological Center, the risk of forest fires is higher this year because the average temperature is higher and precipitation lower than usual over much of China. Forestry Minister Xu Youfang said that when compared with 1993, both the number of forest fires and casualties for 1994 dropped by 40 percent, but the total area of burned forests increased by 26.9 percent.

The ministry explained that 32,383 ha of forest were consumed by 3,317 fires last year.

Investigation into the causes showed that 2,697 of these were mainly caused by carelessness, an official with the fire prevention office of the Ministry of Forestry explained.

The causes, such as burning grass on waste land, smoking, lighting camp fires, and children playing with fire, led to massive destruction in a large number of forests, leaving 25 people dead and 178 injured, he said.

Coverage of Deng Xiaoping's Praising Jiang Chunyun
wa3003164395

[Editorial Report] The following is a compilation of monitored reports from PRC and PRC-owned Hong Kong media on newly appointed Vice Premier Jiang Chunyun. It includes recent references to Deng Xiaoping's praise of Shandong's high rate of economic development and reform under Jiang's leadership as Shandong provincial party secretary.

Beijing XINHUA Hong Kong Service in Chinese, which targets the Hong Kong and Overseas Chinese audience, transmits at 0204 GMT on 17 March a report headlined "Profile of Newly Appointed State Council Vice Premier Jiang Chunyun" that mentions Deng praising Jiang Chunyun. It reads: "In recent years, Shandong has accelerated reform and development; it ranks first in China in national income and gross agricultural output value. Such a situation full of vitality and vigor has won the praise of Deng Xiaoping, the general architect of China's reform and opening up."

Beijing XINHUA in English at 0303 GMT on 17 March has a similar report mentioning Deng's praise of Shandong's economic growth that was published in the 17 March China Daily Report on page seven and eight headlined "XINHUA Profile of Jiang Chunyun." It reads: "Over the past few years, Shandong Province has speeded up the reform and economic development, with its national income and agricultural output value

ranking first, and its gross domestic product and industrial output value ranking second in the country. Deng Xiaoping, architect of the reform and opening up, has praised Shandong for its vigorous development."

Beijing ZHONGGUO XINWEN SHE in Chinese, a press agency which targets an Overseas Chinese audience, transmits at 0701 GMT on 17 March an item headlined "Figure in the News: Jiang Chunyun, Newly Appointed State Council Vice Premier." It cites Deng's praise of Jiang: "During a train stopover in Jinan at noon on 21 February 1991, Deng Xiaoping earnestly listened to Jiang Chunyun's briefing that Shandong's growth rate is higher than the national average, kept praising Jiang, saying: 'Good, good, that is a good idea'" [lian sheng cheng zan 'hao, hao, zhe ge xiang fa hao' 6647 5116 4468 6363 1170 1170 6638 0020 1927 3137 1170].

Beijing RENMIN RIBAO in Chinese and RENMIN RIBAO OVERSEAS EDITION in Chinese on 18 March carry the XINHUA domestic version of Jiang's appointment (published in the 20 March China DAILY REPORT on pages 26 and 27) that does not mention Shandong's economic achievements or Deng's praise for Jiang Chunyun.

Hong Kong WEN WEI PO in Chinese, a PRC-owned newspaper, on 18 March carries a report published in the 20 March China DAILY REPORT on pages 41 and 42 headlined "Deputies Discuss New Vice Premiers." The report contains numerous references by deputies to Shandong's agricultural accomplishments, however, the report does not mention Deng Xiaoping praising Jiang Chunyun or Shandong Province.

Qian Qichen Mourns Veteran Diplomat Xu Yixin
HK2903131995 Beijing RENMIN RIBAO in Chinese
24 Mar 95 p 11

[By Qian Qichen (6929 0366 3819): "Mourning Comrade Xu Yixin"]

[FBIS Translated Text] At the meeting to exchange Spring Festival greetings last year in the Ministry of Foreign Affairs, I sat at the same table as Comrade Yixin and we talked happily. He was in good spirits and quick in his thinking. When comrades came to offer him greetings, they all said that he was in good health. However, one year after that, when I was preparing for my visit to Africa this year, I was told that Comrade Yixin had passed away. Because I was visiting foreign countries, I could not attend his funeral. Being far away in a foreign country, I felt very sorry about that. Comrade Xu Yixin participated in the revolution earlier than other leaders of the Foreign Ministry and he won the esteem of all his colleagues. I did not work directly with him but I met him every summer in Beidaihe for the last few years. He was an amiable and easygoing man, so cadres in the Foreign Ministry, no matter in what position or in what age group, liked to talk with him. Several times, I invited some old comrades to gatherings

and he was always in a good mood and zestful, not looking like an old man in his 80's.

Comrade Xu Yixin [1776 0110 2450] (his original name was Xu Yixin [1776 0001 22450]) was born in Quzhou City, Zhejiang Province, in 1911. He was influenced by the revolutionary ideas and joined the revolution when studying in secondary school. In 1927, he was admitted into the Communist Youth League in Wuhan through the introduction of Comrade Chen Geng and became a member of the CPC in 1930 when studying in the Soviet Union. Comrade Yixin worked nearly 70 years for national liberation and the cause of communism, up to his last breath of life.

In the beginning of his revolutionary career, he joined the Northern Expeditionary Army, participated in the Shanghai Workers' Armed Uprising and the Nanchang Uprising, and worked directly under Comrade Zhou Enlai and Comrade He Long. In 1931, after completing his studies in the Soviet Union and returning to China, Comrade Yixin was assigned to work in the Hubei-Henan-Anhui Soviet Area, and was successively appointed a standing committee member of the provincial party committee, military department director, and senior staff and political department deputy director of the Fourth Front Red Army. Between May and July 1933, as a representative of the Fourth Front Red Army with full authorization, he held talks with Sun Weiru, General Yang Hucheng's representative from the Northwest Army, and reached a secret agreement. Thus, a Red line of communications and transportation was opened for the encircled Fourth Front Red Army.

In August 1933, Comrade Yixin was arrested and jailed because he opposed Zhang Guotao's line of splitting the party. He followed the troops to cross the grassland three times and passed by Snow Mountain twice. He was freed after the three fronts of the Red Army joined forces in October 1936. In the struggle against Zhang Guotao's erroneous line, he showed the revolutionary spirit of a Communist Party member in adhering to the truth and being upright.

During the period of Yanan, he joined the preparatory work for the establishment of Luxun Arts College in early 1938 and then became political department director of the college. He gave courses, including the Introduction to Socialism, in various colleges, including Kangda, Luyi, Shangong, and Nuda. In 1943, he became party committee secretary of the central institutions and political department director of the Central Management Bureau. In 1944, he was elected a party deputy to the Seventh CPC National Congress. During the Liberation War, Chairman Mao particularly instructed him to get work experience at the grass-roots level and he was appointed party committee secretary of Yilan County in Hejiang Province and party committee secretary of Jiamusi City. In November 1948, Comrade Yixin was transferred back to the military and was appointed political department director of the Shenyang Military Region.

After the establishment of New China, Comrade Yixin was transferred to the Ministry of Foreign Affairs in May 1950 and was appointed deputy director and then director of the Soviet Union and East European Department. In 1952, he followed Premier Zhou Enlai to visit the Soviet Union as an adviser and took part in the talks between the premier and Stalin on many occasions. Because he worked conscientiously, he was commended by Chairman Mao and Premier Zhou. In 1954, Premier Zhou personally appointed Comrade Xu Yixin ambassador to Albania. Before his departure, Chairman Mao particularly received Ambassador Xu Yixin and his wife. After that, Comrade Yixin was appointed successively as ambassador to Norway and Syria. In the 1980's, he was appointed ambassador to Pakistan.

As ambassador to foreign countries, he firmly carried out our country's diplomatic line and principles, actively conducted diplomatic activities, properly built up relations with people in the upper strata, increased the friendship between the two governments and between the two peoples, and achieved marked results in developing political, economic, cultural, and technological cooperation with the countries in which he stayed. When leaving the post, some countries gave him decorations to commend his contributions to the development of bilateral friendly and cooperative relations. He attached importance to investigations and studies, closely watching the developments and changes in the international situation, the regional situation, and the situation in the country in which he stayed. He often made proposals for the domestic policymakers to use as reference.

After 1966, Comrade Yixin was appointed vice minister of foreign affairs. He conscientiously carried out the foreign policy and principles of the central leadership, attended the meetings with some important foreign visitors, and handled a lot of internal affairs and foreign-related cases [she wai an jian 3195 1120 2714 0115]. When he was required to play an important role, there came a special period. He suffered political trouble for over 11 years due to the so-called "historical problem." Comrade Yixin always bore in mind the overall interests, endured humiliation in order to carry out the important mission, and showed a fearless spirit and the noble character of a Communist Party member.

Between 1983 and 1993, Comrade Yixin was a member of the Chinese Political Consultative Conference [CPPCC] National Committee Standing Committee, playing an active role in developing the people-to-people diplomacy. He supported the party's policy of reform and opening, took an active part in the activities of the Economic Group, led the CPPCC inspection groups to various localities many times, and did a great deal of investigation and study work. He conscientiously participated in political consultation, cared about the motherland's reunification, and made unremitting efforts to

consolidate and expand the patriotic united front, safeguarding and consolidating the unity of all nationalities with the CPC at the core, and promoting socialist modernization.

In his revolutionary career of nearly 70 years, Comrade Yixin was always loyal to the party, loyal to the people, and loyal to the communist cause. In the difficult conditions of the struggle against the enemies, when being persecuted by the opportunists inside the party and when affected by the "Cultural Revolution," he always struggled bravely, remained faithful and unyielding, stood firm, and showed awe-inspiring righteousness. He maintained a strong party spirit, bore in mind the overall interests, always placed the interests of the party and the people above anything else, always obeyed the assignments of the party organizations, strictly observed discipline, never claimed credit for himself nor considered his personal gains and losses, and served the people wholeheartedly. He sincerely supported the party's line, principles, and policies since the Third Plenary Session of the 11th CPC Central Committee and always maintained political and ideological uniformity, acting in unison with the party central leadership. He never wavered in any storm. He had a strong sense of responsibility for the revolutionary cause, always working conscientiously and responsibly in a down-to-earth manner in any circumstances. He spared no effort in his work and selflessly dedicated all of his wisdom and energy throughout his life to New China's diplomatic undertakings. He led a simple and thrifty life, treated people sincerely, cared about other cadres' progress and about the well-being of the masses, showed loving care for his comrades, always maintained the fine tradition of the Red Army in working hard and leading a simple life, and always maintained the true character of a public servant of the people by working honestly and incorruptly.

The life of Comrade Xu Yixin was a brilliant one of a revolutionary for the cause of communism. We deeply mourn his death. His noble revolutionary character, fine revolutionary style, and selfless dedicating spirit will always live in our minds.

Minister of Culture Speaks at Literary Meeting

OW3003075895 Beijing XINHUA Domestic Service in Chinese 0859 GMT 24 Mar 95

[By reporter Han Zhenjun (7281 2182 6511)]

[FBIS Translated Text] The four-day forum of the All-China Federation of Literary and Art Circles ended in Beijing today. Addressing the opening ceremony, Liu Zhongde, deputy director of the Propaganda Department of the CPC Central Committee and minister of culture, said in the days to come, the federation should concentrate on improving service and enriching literary and art creations and should create a good environment and condition for literary and art workers to do their work, so as to enable them to assume a positive attitude

and plunge themselves into the thick of life and create fine works suitable for the era.

The forum opened in Beijing on 21 March. It was attended by more than 100 representatives of local federations of literary and art circles in various parts of the country.

Liu Zhongde said: In recent years, literary and art creation has been developing vigorously in China. In the days to come, literary and art workers should, on the basis of enriching literary and art work, create more works of excellent quality that reflect the spirit of the times and have strong artistic appeal. Literary and art administrative departments and mass organizations of the literary and art circles should enthusiastically serve writers and artists so as to enable literature and art to flourish further. He said: Priority should be given to grasping the following three aspects regarding literary and art creation in China this year: first, outstanding cinema products; second, outstanding literary works, especially novels and reportage; and third, outstanding literary and art works for children.

In his speech, Liu Zhongde also said: We are in a great historic era. The dream of modernization yearned for by a few generations of Chinese people is gradually becoming a reality. The change that is occurring in the vast land of China has had a profound and extensive influence on the lives and thinking of the people of various strata, and also provided a solid foundation for the lively creations of literary and art workers. He expressed the hope that literary and art workers across the country will cherish this rare historic opportunity, actively plunge into the historic current of reform, and create great works worthy of the times.

At the four-day forum, Gao Zhanxiang, secretary of the party group of the China Federation of Literary and Art Circles, said that enriching literature and art, especially noble literature and art and providing the masses with more and better intellectual products, constitutes the central task of the federation in the days to come. The federation will establish, in a planned way, bases in which writers and artists can plunge into the thick of life. It will join federations of literary and art organizations of enterprises in organizing writers and artists to experience real life at grass-roots units, where they can depict and reflect the magnificent happenings in China's reform and opening up to the outside world and the vigor and vitality of the people.

Cao Yu, chairman of the China Federation of Literary and Art Circles, who has been confined to his sick bed for years, showed much concern for the forum. In addition to sending a written speech to the forum, he also attended, despite his illness, a news conference during the forum. Responsible persons of the All-China Federation of Literary and Art Circles, including Yin Shoushi, Feng Jicai, Li Ying, Wu Zuqiang, Zhang Junqiu, Xia Juhua, Meng Weizai, and Liang Guangdi attended the forum.

Personnel Changes Show Elders' 'Declining Power'

HK3003064595 Hong Kong EASTERN EXPRESS in English 30 Mar 95 p 7

[By Bruce Gilley]

[FBIS Transcribed Text] A shake-up in Beijing's top echelon has demonstrated the declining power of party elders and a strengthening of the alliance between the Premier, Li Peng, and the party General Secretary, Jiang Zemin, analysts say.

In a series of minister- and vice-minister-level changes, involving 23 officials announced this month, the former private secretaries of three party elders were sacked, while a number of close associates of the current leadership were promoted.

"The basic reason is that Li and Jiang remain in a state of close alliance," a researcher at the China Academy of Social Sciences explained. "Although Li Peng's power is declining day by day, he still has enough influence to carry out fundamental changes in the inner cabinet," he said.

While factors such as age and work performance could explain many of the moves, analysts ascribe political significance to about half of the changes. Guidelines governing personnel changes are thought to be of only secondary importance in most senior-level reshuffles in the Chinese political system, given the long-standing importance of patronage. The route to the top invariably requires being a relative or protege of an existing senior leader.

Among changes made last month, the removal of Li Shizhong as the deputy secretary general of the State Council's general office is considered to be extremely significant. Li Shizhong, 61, served as Li Peng's secretary in the mid- to late-1980s, after working under him for more than a decade in the Beijing electricity bureau. He was made a member of the premier's secretive government office establishment committee in 1991, which was to oversee all ministerial-level changes in party and government. He is widely expected to be given a ministerial-level position soon, in what would be the strongest signal of Li Peng's continued strength within the senior leadership.

Observers are also watching closely the newly-appointed vice-minister of personnel, Li Tielin, who already holds a deputy position in the party's parallel body. Li Tielin, 51, is the half-brother of the state councillor and Politburo member, Li Tieying, although he does not share his brother's auspicious honour of being the son of a woman who was once the wife of the patriarch, Deng Xiaoping. The elevation makes Li Tielin only the second senior official, besides the personnel minister, Song Defu, with concurrent posts in the party and government personnel organisations. This is expected to give Li Tielin unique

influence at a time when the senior leadership is attempting to inject new blood into provincial and central posts.

Also attracting attention is Ma Kai, the new State Planning Commission vice-minister. Ma Kai, 48, was known as one of the "four red princes" in the State Economic Reform Commission, where he was a vice-minister for two years before the recent switch. His father, Ma Mingfang, was a revolutionary hero and a former minister of finance. A former party school teacher, Ma Kai returned to college to obtain a masters degree in economics from People's University in 1982. His move from the increasingly irrelevant reform commission to the revitalised planning commission—which has been given a new lease on life in handling state enterprise reforms—is seen as a significant promotion.

Analysts note that all three of the rising stars—Li Shizhong, Li Tielin and Ma Kai—spent most of their early careers in the Beijing municipal government after graduating from prestigious universities in the capital. This allowed them to build significant political capital with Premier Li Peng, which has been used to ingratiate them to the party secretary, Jiang Zemin.

Li Peng, who is widely expected to step down at the party's 15th general plenum in late 1997, is considered a champion of bureaucratic interests within the central government. Jiang, by contrast, is thought to support more transfers of top officials between the provinces and Beijing. Analysts say the ongoing alliance between the pair, which began when they presided over the post-Tiananmen ideological crackdown, is being sustained by the need for unity in the uncertain period after Deng's death.

The declining influence of party elders as far as personnel decisions are concerned is thought to be reflected in the dismissal of the former secretaries of Yao Yilin, Bo Yibo and the late Li Xiannian. "The time when being a protege of a second-generation leader provided a protective umbrella from all changes is passing," a Beijing University professor said, referring to the slate of leaders who took over after the death of Mao Zedong in 1976. "There is abundant evidence that uninspiring senior officials who gained their positions under the second generation are being removed from office," he added.

Bai Meiqing, Yao's former secretary, took part of the blame for soaring food prices and local grain shortages last year and was sacked from his posts as the head of the State Grain Reserve Administration and as a vice-minister of internal trade. The dismissal of Bo's former secretary, He Guanghui—a reform commission vice-minister—after more than a decade in the post, was considered a coup for the senior leadership. Despite his participation in the political reform think-tank run by Bao Tong—the jailed aide to the disgraced party general secretary, Zhao Ziyang—it is thought that the post-Tiananmen leadership was initially unable to oust He

Guanghui because of Bo's protection. Also lost in the reshuffle was Li Peng's former secretary, Jiang Guangzhuang, who was a personnel vice-minister. These three vice-ministers were all close to the official retirement age for senior officials of 65.

It is thought Li Peng and Jiang Zemin wanted to make an early and final decision on their political futures to demonstrate their independence in personnel decisions without the second generation looking over their shoulders.

Pacific Economic Cooperation Group Elects Chief
OW2903135195 Beijing XINHUA in English 1248
GMT 29 Mar 95

[FBIS Transcribed Text] Beijing, March 29 (XINHUA)—At the seventh session of the China National Committee for Pacific Economic Cooperation (CNCPEC) held here today, Yang Chengxu, president of the China Institute of International Affairs, was elected president of the CNCPEC.

At the meeting, Secretary-General of the CNCPEC, Chen Songlu, briefed more than 30 participants on preparations for the 11th international general meeting of the Pacific Economic Cooperation Council (PECC) which will be hosted by CNCPEC in September of this year.

They also heard a work report delivered by the sub-committee of industry and commerce of the CNCPEC.

Dissident Ren Wanding Needs 'Medical Treatment'

BR3003102595 Stockholm SVENSKA DAGBLADET in Swedish 29 Mar 95 p 7

[Report by Bertil Lintner: "Activist Still In Jail—China Refuses To Release Sick Champion of Democracy Ren Wanding"]

[FBIS Translated Excerpt] Beijing—Ren Wanding, China's most celebrated political prisoner is sick and in need of medical treatment. He is suffering from cataracts in his eyes, rheumatism, and severe stomach complaints after spending years in a cold, dark cell. This is what his wife, Zhang Fengying, claimed when we met in secret in a small cafe in Beijing. She was visibly nervous, constantly looking over her shoulder to see if we were under surveillance. Years of anxiety, concern, and harassment by the secret police have also transformed Mrs. Zhang into a nervous wreck.

"Nonetheless my husband has no regrets," she said.

"He fought for democracy and human rights."

Did Not Attempt To Flee

Ren was arrested on 10 June 1989, just under one week after the massacre in Beijing which brought an end to the mass demonstrations held there on Tiananmen Square,

the "square of heavenly peace." Ren, who had been one of the leading organizers of the democracy movement, had not attempted to flee to Hong Kong, like so many other dissidents.

"I remember it as if it happened yesterday," Mrs. Zhang, said.

"It was a Saturday evening and the whole family was at home. Suddenly there was a knock on the door and five men stormed into the apartment. My husband was led away to a waiting police car."

That left only Mrs. Zhang and the couple's 11-year-old daughter, Ren Xiaoyuan, still in the apartment.

Together with many other democratic activists Ren Wanding was subsequently sentenced to seven years in prison for "counterrevolutionary crimes." The door to the family's apartment was sealed up by the secret police—with all the family's possessions still locked inside—and both Zhang and her daughter were literally thrown out onto the street. Ever since they have led a nomadic existence, constantly changing homes, and have been totally dependent on help offered by people and groups who sympathize with the family.

Adopted by Amnesty International

Ren Wanding has now been adopted as a prisoner of conscience by the Swedish section of Amnesty International, which is also managing to provide financial aid for Mrs. Zhang and her daughter who is now 17 years old.

"I do not know very much about Sweden," Mrs. Zhang said, finding it difficult to hold back the tears.

"However, it must be a fine country if people there are helping us. Every time I hear the name Sweden it makes me feel warm inside." [passage omitted]

Still in Jail

This might explain why Ren is now one of the last few activists from 1989 still in jail. Chen Zinming, Wang Juntao, and the other "black hands"—as the authorities call them—behind the movement have all been released as gestures of reconciliation in response to critics in the West. Some of them managed to leave China and joined up with the movement in exile in the United States, but Ren still remains, and nobody really knows why.

According to Mrs. Zhang, he is now in "Jail Number Two" in the eastern outskirts of Beijing where he shares a cell with three other prisoners, all of whom are common criminals. There he tries to keep his spirits up by painting, reading, and playing folk songs on his accordion. Once a month Mrs. Zhang cycles to the jail to visit him for one hour, which is all the authorities have allowed as far as contact with his family is concerned.

"My neighbors do not know who I am," Mrs. Zhang said.

"We do not really have any social contacts now."

The couple's daughter, Ren Xiaoyuan, lost several years at school after her father was arrested, but is now back in senior school in Beijing.

Crushed Movement

Sitting alone in that cafe in Beijing it was very difficult to imagine that it was only six years ago that these activists succeeded in mobilizing millions of students, workers, and other people in massive demonstrations held not only in Beijing, but also all across China. However, China's democracy movement has been crushed, at least for the time being, and there is no sign of it continuing to flourish underground within the country, unlike Solidarnosc in Poland, for example, when the state of emergency was declared there. Moreover, the movement in exile is deeply divided by squabbles between rival groups and personal clashes.

One lonely woman nervously pedaling away on her bicycle through the sea of people in Beijing is all that remains of a vast movement that shook the world's most powerful communist regime.

"I am very concerned about my husband," she said.

"However, he was prepared to take the consequences of his actions. He knew what sentence he would be given, but felt it was necessary to do what he did. One day there will be justice, even for him."

Wang Lequan Discusses Anticorruption Struggle

OW3003103395 Urumqi XINJIANG RIBAO in Chinese
20 Feb 95 pp 1-2

["Maintain Close Ties with the Masses, Be Honest and Hardworking, and Resolutely and Effectively Push Forward the Anticorruption Struggle—speech by Wang Lequan at the Ninth Plenary Session of the Discipline Inspection Commission of the autonomous region on 19 February 1995"]

[FBIS Translated Text] Comrades:

At the plenary session of the regional Discipline Inspection Commission, we summed up the work of fighting corruption in our region in 1994 and made plans for our tasks this year in accordance with the guidelines of the Fifth Plenary Session of the Central Discipline Commission. The session has been held in a timely manner and has been very successful. I express total agreement with Comrade Shengtao's report.

Since the Second Plenary Session of the Central Discipline Inspection Commission, the autonomous regional party committee and the people's government have been resolute in waging the anticorruption struggle and have adopted a series of important measures in line with the requirements of the central authorities. Discipline inspection and supervisory organs and public security, procuratorial, and judicial departments have done a great deal of work and have scored marked achievements in some areas. However, these achievements are only our

initial success. The masses are still not satisfied with many aspects of our work; what we have done is still far from meeting the requirements set by the central authorities; many tasks which we have planned to do have not been truly carried out, and that is why so many problems await solutions through our determination and efforts.

The Central Discipline Inspection Commission held its Fifth Plenary Session in the middle of last month. This further shows the party Central Committee's determination to punish corruption and win the trust of the people. General Secretary Jiang Zemin made another important speech regarding the anticorruption struggle. In the speech, he called on us to further strengthen leadership in the new year, earnestly implement the requirements set by the recent meetings of the Central Committee and the Central Discipline Inspection Commission, and further win practical success in the struggle against corruption. We should pay particular attention to making new progress in the supervision of party members in their observation of clean standards and self-discipline, in making new breakthroughs in investigating and handling cases involving violation of discipline, and in scoring new achievements in correcting unhealthy practices. Guided by Comrade Jiang Zemin's important speech, we should earnestly implement the guidelines of the Fifth Plenary Session of the Central Discipline Inspection Commission, take into account Xinjiang's actual conditions, continue the anticorruption struggle in a sustained and more effective way, and maintain political social stability in our region so as to promote the sustained, rapid, and healthy development of the economy. At the current session, the regional Discipline Inspection Commission has worked out a plan for carrying out the guidelines of the Fifth Plenary Session of the Central Discipline Commission in our region. Today, in connection with some conditions and the anticorruption in our region, I will mainly dwell on the issues of unification of thinking and understanding, typical examples set by leading cadres, and policy implementation.

1. We Should Be Concerned About the Party and the Country, Maintain Close Ties with the Masses, and Heighten Our Understanding of and Confidence in the Anticorruption Struggle

The Central Committee has always attached great importance to the issue of combating corruption. For many years it has raised the problem of party work style and honesty in executing one's official duties, but the problem has not been solved until now. This shows that the problem is stubborn and difficult to solve. However, I believe it is not an incurable sickness. It should be said that Chinese Communist Party members have made splendid achievements in these aspects. One should not be overly critical of them because most of the time the masses are satisfied with their conduct. The solution of this problem depends on leadership. First, it is necessary to resolve the questions of understanding, concept, confidence, and determination among leading cadres.

On placing high demands on party members and punishing corruption, Deng Xiaoping, Chen Yun, Peng

Zhen, and other revolutionaries of the older generation have for many years been worried about this question. With great foresight, they have repeatedly admonished the whole party to recognize the seriousness and danger of corruption. The third generation leading comrades in the Central Committee with Comrade Jiang Zemin as the core has sounded the warning alarm. In addition, they have adopted a series of important measures to combat corruption.

General Secretary Jiang Zemin has on many occasions stressed the importance of combating corruption at many meetings held recently. At the recent Fifth Plenary Session of the Central Discipline Inspection Commission, he, after studying the past and present, said with anxiety that if we are not strict now, we will not be able to be strict in the future even if we want to. "Fairness leads to honesty and honesty leads to prestige." We will lose the people's trust if we abuse power for personal gain. Everyone should be concerned about the party and the country. In short, leading comrades of the Central Committee have talked a lot about the question of combating corruption. Their words are sincere and earnest and have far-reaching significance. Every leading cadre must recognize the importance and necessity of the anticorruption struggle as it concerns the future and destiny of the party and the state, the support of the people, the life and death of political power, and the success and failure of reform, opening to the outside world, and the modernization drive; every cadre must have a high sense of duty and mission and unswervingly push forward the anticorruption struggle.

In recent years, many anticorruption projects cannot proceed in our region. As I see it, one notable problem is the leading cadres' misunderstanding. They look outward, disregarding Xinjiang's actual situation and comparing Xinjiang with other areas. They maintain that, compared with developed areas in southern China and along the coast, our problems are quite minor and not as serious. So they feel there is nothing to worry about. Some other leading cadres think that, as far as Xinjiang is concerned, anticorruption can suffocate the environment, stand in people's way to make money, prevent people from taking advantage of their talents, and affect economic and cultural exchange and cooperation. They say this is unfavorable for opening up wider to the outside world and economic development. These views are totally untenable. In fact, these views constitute one important reason why negative and corrupt phenomena still continue despite repeated efforts to stop them, and why the people are dissatisfied with our anticorruption performance. Take our leading cadres' transportation, for example. The number of cars they have purchased for their use has been increasing, and the models have become increasingly luxurious every year, even though our financial situation has become increasingly severe and our deficits are growing every year. This phenomenon is incongruous with our financial situation and economic strength. As for our leading cadres' living quarters, while they are admittedly not the best, some

comrades' living quarters are indeed much too large and more well-equipped than the standards permit. We should understand that, instead of making comparisons with developed areas in southern China and along the coast, we should make comparisons with the material living standards of ordinary cadres and people in Xinjiang, and take Xinjiang's financial situation into consideration, and see whether we have become divorced from the masses and realities, and whether what we do is a form of corruption. I think that, instead of looking at coastal areas, we should look at Xinjiang, the situation in the impoverished areas in both northern and southern Xinjiang, and listen to the voice of the people. We should realize that the livelihood of several million peasants and herdsmen is still very difficult, and they are still struggling to have their basic food and clothing problems resolved; that more than 3.7 million people still have a drinking-water problem; that between 40 and 50 percent of enterprises are hard-pressed; that workers' per capita annual income is only about 2,000 yuan, and that the per capita monthly income of some families is less than 60 yuan, an amount which is simply not enough for basic food and clothing; that for the families of some grass-roots cadres, people of several generations have to live under the same roof; that many workers, including workers who have built houses for several decades, have yet to have their own decent houses; and that many children of peasants and herdsmen in the rural areas still have to attend outdoor classes or classes in unsafe buildings. "Extravagance costs more than natural disasters." How can we have peace of mind if we compete with developed areas along the coast in purchasing luxurious automobiles and living in comfortable houses when the livelihood of so many people is still difficult? How can the masses help not being critical of us? In accordance with the central authorities' instructions, we have achieved some success in dealing with the car and housing problems, but the success is neither complete nor reliable. The car problem, for example, has resurfaced in some units only after several days. I think that, to address this problem once and for all, leading cadres must bear in mind the interests of grass-roots units and the masses and heighten their awareness. Comrade Mao Zedong once asked: What personal interests cannot be given up if we think of the people all the time?

For years, the masses have been complaining about our problem of indulging in lavish food and drink. While we should entertain visitors as more and more people are visiting Xinjiang as result of opening up and the establishment of economic ties with places at home and abroad, we can see that not many people whom we have entertained at banquets were from foreign countries, nor from other parts of the country. Most of the banquets were thrown between departments and units to fete each other. Rough estimates show that we have spent less than 20 percent of the reception budgets on entertaining foreign visitors but over 80 percent of the budgets among ourselves. We should not slight this problem, which has disgusted the masses. These days, commodity prices are

quite high and the pay of some workers is low; some have not even received their pay on time for quite some time. Under such circumstances, how can we justify the phenomena that public funds are being spent on food and drink, that restaurants are packed with diners everyday, and that one table of food often costs about 1,000 yuan, or even several thousand yuan! We used to say that "the cost of a meal of an official's family is enough for an ordinary people's family to buy food for six months," but now one banquet table full of food costs more than the family of a peasant or a herdsman needs for living expenses for a whole year. Today, while millions of people in Xinjiang have yet to shake off poverty, and some of them are so poor that they do not even have enough to eat or to wear, there are also people who can lavish public funds on food and drink; while some units do not have the money to pay their workers, some units can squander resources on buying expensive items to be given out as fringe benefits; and while the workers of some enterprises receive only the minimum wage for living expenses every month, the directors and managers of some businesses can afford to buy luxury cars and squander money on food and drink. The differences are simply too great. We can see from history that a country or a family can prosper because of diligence and thrift, but that it can also go bankrupt because of lavishness. If we still fail to take effective measures to deal with this problem, the people will lose their confidence in us. How can we communists enjoy any prestige, and how can our socialist cause succeed if we cannot even solve the problem of excessive food and drink?

While listening to the regional discipline inspection commission's relay of the guidelines of the Fifth Plenary Session of the Central Discipline Inspection Commission and studying tasks of the anticorruption drive, the regional party committee members have unanimously agreed on the need to check the trend of using public funds for extravagant dinners in the region. Units throughout the region—including central units stationed in Xinjiang and party and government organizations, enterprises, and institutions—are prohibited from using public funds for giving banquets to each other. As far as this problem is concerned, we should proceed from Xinjiang's realities in maintaining higher and stricter requirements than those observed in the hinterland and coastal provinces. This is not a matter of making a fuss over a trifling matter because "within the amount of time necessary to finish a banquet of several tables, such an evil practice will be known by all." As leading cadres, we should be aware of the aforesaid truth. The closer to the grass roots and to the masses the problem of extravagant banquets occurs, the worse the repercussions are. If we eat a really simple meal at the grass roots—which is still more sumptuous than an ordinary meal—we can leave a good impression for the masses. If we put on airs and dine at a luxurious restaurant, even the restaurant owner will criticize us behind our backs. Since a table usually costs about 1,000 to 2,000 yuan at the upper level, we can imagine that when a leading cadre goes to

the countryside, the masses will slaughter chickens and goats to give a banquet for him. On the surface, this leading cadre is greeted with smiles; but he would be condemned by many people behind his back. I believe that a firm crackdown on the trend of extravagant dinners will receive the approval of cadres and functionaries at large, as well as hearty support at the grass roots and from the masses. From now on, we must make a determined effort to solve this problem. We must achieve a breakthrough in stopping the trend of extravagant dinners so as to win the people's trust. Leading bodies of major units, organizations at all levels, enterprises, institutions, and units in the region should achieve unity in thinking, and strictly enforce orders and prohibitions so as to be role models for the people.

To more effectively unify thinking and understanding, the regional party committee has studied methods for transmitting the current meeting's guidelines and has demanded that localities and departments change their previous practices. Principal party and government leaders of localities and departments should organize leading bodies of major units in earnestly analyzing the actual conditions of each locality, department, or unit; they should visit impoverished farm and pastoral households and deficit-ridden enterprises workers' families to obtain first-hand information about poverty and the real life of the low-income strata; then, they should ponder whether we should and can stop the trend of extravagant dinners. I expect an affirmative answer. The proper governance of a state hinges upon popular support. By maintaining close ties with the masses, we will be able to enhance our understanding of the anticorruption drive, to imbue ourselves with confidence and strength, and to achieve breakthroughs in work.

When discussing a solution to problems such as motor vehicles, housing, and extravagant dinners, for which the masses are strongly critical of us, we must emphasize the need to take immediate action. We all should cast off mental burdens, dispel misgivings, and heighten spirits; we should promptly set strict demands on ourselves and earnestly practice what we advocate. Except for serious cases of embezzlement and bribery, which should be dealt with at anytime, past problems of extravagant dinners and waste in general will not be investigated. In the absence of strict requirements, the occurrence of problems in the past is understandable. From now on, violators, once discovered, will be publicized and severely punished; they will never be tolerated.

As far as the reception for visitors from outside the region is concerned, we should comply with the regulations of the party Central Committee, the State Council, the regional party committee, and the regional people's government. In view of the practical needs of political, economic, and cultural exchanges in the current opening up to the outside world, we should give a warm reception to outside visitors even though we should be strict with ourselves. Hospitality is a fine tradition of the Chinese nation. In former times, even an impoverished family

would rack their brains to prepare a good meal for visitors. To fete outside visitors with a little wine is not prohibited; however, the reception should not be ostentatious and wasteful, but should be warm and provident. So long as we approach problems in a realistic way, we can receive the understanding from both outside visitors and the broad masses of people.

The fifth plenary session of the Central Discipline Inspection Commission put demands on enterprises and institutions, which was a kind of breakthrough in the struggle against corruption. One of the important reasons that some of the negative, corrupt phenomena and unhealthy practices continued despite repeated warnings was that in the past enterprises and institutions were let off easily. Party and government organs are inherently tied to enterprises and institutions; the two are related in a thousand and one ways. Now the Central Committee has broken through this demarcation line separating enterprises and institutions from party and government organs and demanded that enterprises and institutions too must act honestly and exercise self-discipline. This has created conditions for all-round implementation of central principles, policies, and measures against corruption. A large number of enterprises in our region are in a fairly difficult situation financially. Influenced by the prevailing practices, they went for partying and extravagance rather reluctantly. Now, the Central Committee and the regional party committee have put forward specific demands in this regard. What would be better for enterprises than to use this opportunity to do away with the practice of partying and concentrate on serving the public? For enterprises in a better position financially, they can use this opportunity to accumulate more funds to expand reproduction and improve workers' living conditions. What is there against doing so? Leading cadres of enterprises and institutions should also enhance their mental awareness and consciousness of the anticorruption struggle from the perspective of guaranteeing the smooth progress and healthy development of reform, opening up, and modernization and should make a joint effort to create an environment and atmosphere for maintaining integrity and public spirit under the new circumstances of building a socialist market economic structure.

2. Leading Cadres Must Maintain Honesty. Devote Themselves to Public Service, and Work in a Down-to-Earth Manner

Members of the leading bodies of party and government organs hold the key to a firm and effective struggle against corruption. Principal leaders of party and government organs, in particular, must take the lead in maintaining integrity and devoting themselves to public service. By maintaining integrity and devoting themselves to public service, leading party and government cadres will be able to seize the initiative and leadership of the anticorruption struggle, win the trust and support of the masses of people, and unite and lead cadres and masses of all nationalities in promoting reform, accelerating development, and maintaining stability.

In his speech at the fifth plenary session of the Central Discipline Inspection Commission, General Secretary Jiang Zemin stressed the need to attach great importance to the party's ideological-political construction, raise the ideological-political standards of the ranks of cadres and party members, and successfully deal with the issue of our perspective on the world and life. He pointed out: At the same time, we must soberly see to the fact that under the conditions of reform and opening up, capitalist corrosive thinking, culture, and influence will surely seize the opportunity to enter China and merge with the exploiting class' corrosive thinking, culture, and influence left by China's history. This will help engender such negative phenomena as money worship, ultraindividualism, and corrosive life-styles. This will create an impact on the people's correct ideals, convictions, and value concepts; will also corrode our cadres and party members; or even ruin some weak-minded people. Faced with such a new trial and with negative and corrosive things, our comrades must raise their vigilance and must develop the capability of seeing how things will develop from the very beginning and of preempting evil. Many activities during these years have told us that the principal reason some negative and corrupt phenomena were not checked and unhealthy trends and evil practices continued to spread was that in some localities and units, the party failed to manage its affairs and enforce strict discipline, ignored ideological-political education, and abandoned active ideological struggle. The development of some people's small problems into major ones and the degeneration of some cadres or party members often began from their thinking. Party committees at all levels must act in accordance with the guidelines of General Secretary Jiang Zemin's speech, attach great importance to the party's ideological-political construction, and earnestly strengthen it to raise the ideological-political standards of the vast numbers of cadres and party members. We must concentrate our efforts to punish and crack down on violations of law and criminal acts, strengthen the building of the legal system, and step up ideological-political construction; and we must integrate work in these three areas organically so that they will promote each other and deepen the struggle against corruption.

We must persist in communist ideals and strengthen our faith in communism. Comrade Xiaoping said: "In the past, no matter how small and weak it was and what difficulties it encountered, our party has always maintained a powerful fighting capacity, just because we have Marxist and communist convictions. Shared ideals bring along iron discipline. This was, is, and will always be our true advantage." For contemporary Chinese Communists, the highest pursuit of life is to strive to build socialism with Chinese characteristics and to ultimately achieve communism. Without this idealism and faith, we cannot become a true Communist Party member. Every leading cadre and every Communist Party member must earnestly study General Secretary Jiang Zemin's speech, understand its guidelines, grasp its essence, and integrate it with our region's reality. We

must correctly understand and handle the relationship between carrying out reform and innovation and carrying forward fine traditions so as to bring unity between emancipating the mind and blazing new trails and carrying forward the party's fine traditions and work style. We must seek truth from facts, study new developments, resolve new problems, create new experiences, and push forward reform, opening up, and modernization.

We must correctly understand and handle the relationship between absorbing some ideas and resisting others in our opening to the outside world. We must boldly absorb everything useful to us while at the same time firmly resisting erroneous, decadent ideas to ensure the smooth progress of our opening to the outside world. We must correctly understand and handle the relationship between "letting some areas and people become prosperous ahead of others" and common prosperity and always think about poverty-stricken areas and masses in southern and northern Xinjiang and use every means to help them shake off poverty and set out on the road to prosperity. In personal life, we must plan and worry ahead of the people, and enjoy the fruit after them; we must be the first to bear hardships and the last to enjoy comforts.

We must be sincere, dedicated, and serve the people with one heart and one mind. General Secretary Jiang Zemin said: "The secret to our party's popular support, and to its leadership of people toward victory in the cause of revolution and construction lies in the fact that the party was founded to serve the public interests through honest practices." What kind of cadres do the masses of people welcome the most? They welcome cadres who are honest and diligent in public service, perform good and concrete deeds for the masses, and are capable of leading them in developing the economy. When pondering problems and handling matters, every leading cadre must proceed from these questions: "Does this have the people's support and approval?" "Will the people be pleased?" and "Will they allow us to do so?" Even honest and upright officials in feudal society had the heart to worry about the people, sympathize with them, and cherish them. Could it be possible that we were not even as good as they were? In the current period of transition from the old structure to the new one, new contradictions and problems are numerous. We have far more difficulties than coastal developed areas. Particularly, we still have several million people in poverty. Our leading cadres at all levels should spend more of their thoughts and energy on work, on helping the masses overcome difficulties and remove anxiety, on proceeding from local reality and leading the masses in shaking off poverty and setting out on the road to prosperity. We must not think only about our personal matters day and night, and even less should we stand high above the masses and act like high and mighty officials. When we serve as officials, we must bring benefits to the people in our jurisdiction. We must always bear in mind that our power is bestowed on us by the party and the people and that it must be used in the interests of the people to carry out the assigned tasks; it

must not be used in our own interest, the interest of our relatives, or of a few people close to us. When working in difficult areas and under difficult circumstances, leading cadres should all the more share weal and woe with the masses, observe the people's feelings, find out their wishes, and resolve with all our hearts and might the problems which the masses are concerned about and have complained about the most.

We must take the lead in maintaining plain living and hard struggle and in dedicating ourselves to the cause selflessly. Plain living and hard struggle are the CPC's glorious traditions and magic weapons used by our party to maintain close ties with the masses. They are also the basic political qualifications of a cadre, especially a leading cadre. For our leading cadres working in Xinjiang, plain living and hard struggle are especially important. Generally speaking, Xinjiang's conditions are relatively poor, and in some areas conditions are especially difficult. Comrades in those areas must have strong dedication, a strong mass viewpoint, and a strong sense of responsibility in leading the masses in developing production. Xinjiang's conditions dictate that we cannot do things with style as in the coastal region; we can only live plainly, quietly immerse ourselves in hard work, share weal and woe with the masses, and blaze the road to the ideal state through hard work and sweat. In Xinjiang's socialist revolution and construction over the past 40 years and more, a large number of veteran cadres have lived plainly, worked hard, and dedicated themselves selflessly. They have earned the respect and love of the people of all nationalities in Xinjiang. For us cadres who are in the leading posts at various levels, there is no other choice but to carry forward the cause pioneered by our predecessors and forge ahead into the future, take the lead in living plainly and working hard, and continue to dedicate ourselves selflessly. Only by so doing can we have a clear conscience in facing Xinjiang's builders of the older generation and its people of all nationalities, and can we make new achievements in accomplishing the magnificent cause of promoting Xinjiang's reform, opening up, and socialist modernization.

We should seek truth from facts, guard against proneness to boasting and exaggerating, and do concrete work. Another trend should merit our attention, that is, the showy work style of some irresponsible cadres who, instead of doing concrete work, are prone to boasting and exaggerating. This problem has also been criticized by the masses. The ability to do solid work should be an important criterion for evaluating leading cadres. As the old saying goes, "solid work can rejuvenate a nation, while empty talk can make the people suffer." Because of value instructions and carelessness, we have delayed work in many fields and let many good opportunities slip by. Leading cadres at all levels should firmly guard against doing superficial work; and should hold themselves responsible to both upper and lower levels as far as superficial work is concerned. We must stop "meetings and festivals", which have wasted money and manpower

and produced few benefits, from being held under various pretexts. We must resolutely oppose the unhealthy practices of resorting to deception and making exaggerated reports. Fraud can cause errors in policy decisions and dampen the enthusiasm of cadres and the masses in doing concrete work; and more seriously, it can corrupt party and government work style. It is also a form of political corruption which must be resolutely opposed and checked. We should establish the system of combining collective leadership and division of labor with individual responsibilities in line with the provisions in the "decision" of the Fourth Plenary Session of the 14th CPC Central Committee. On the basis of collective leadership, we should divide the work and define the rights and responsibilities of each individual. Whoever fails to do concrete work and to improve his performance will be removed from leading bodies. We must encourage boldness in doing concrete work and in assuming responsibility. Whoever assumes a heavier responsibility and more risks will be supported and protected. Actual performance should be the hard criterion for evaluating cadres. We must decisively promote those with outstanding concrete achievements, remove those with average performance, and demote those who fail to score concrete achievements. Under no circumstances should we sacrifice the interests of hundreds of thousands of people of a locality in order to save the face of one or two individuals. We must see to it that leading cadres in our region cultivate a solid work style of exploring real situations, reporting factual numbers, doing concrete work, and emphasizing actual results.

3. We Should Conscientiously Implement the Tasks

In the past, Chairman Mao said: "What really counts in the world is conscientiousness, and the Communist Party is most particular about being conscientious." In recent years, we have failed to achieve satisfactory results in many tasks; and an important factor for this is our lack of conscientiousness. Much attention has been paid to transmitting guidelines for implementation; but less to conscientious supervision and inspection in the course of implementation. While implementing the guidelines of the Fifth Plenary Session of the Central Discipline Inspection Commission and the anticorruption tasks worked out by the regional discipline inspection commission at the current meeting, we should underscore the question of conscientiousness and should be particularly conscientious about implementation.

The current meeting has called for solving the problem of extravagant dinners at upper and lower levels. Let us start with this task by accurately identifying the problem and conscientiously solving it. Once the guidelines are transmitted, we should promptly supervise and inspect their implementation. Whenever a violator is discovered, that person should promptly be reported regardless of position and work unit and of resistance to orders; and should be publicized and punished accordingly. So long as we are conscientious, we can solve any case. What is important is that after plans for implementing the task

are worked out, we should promptly supervise and inspect the implementation; otherwise, the task will end up unfinished. Since the current meeting has raised the problem, we must be resolute and conscientious in solving it. First and foremost, the regional party committee, people's government, and discipline inspection commission should work out plans for supervision and inspection, and organize forces to go down to the lower levels to conduct investigations. The regional authorities will be responsible for inspecting departments directly under the region as well as prefectural and city leading organs; the prefectural and city authorities will be responsible for inspecting their own departments and counties; the county authorities will be responsible for inspecting townships and towns; and the township and town authorities will be responsible for inspecting villages—each level will be responsible for conducting investigations at the next lower level. Should a unit fail to carry out investigations, its immediate supervisor will be held responsible. Beginning 10 March, violators shall be investigated and punished once discovered. Gifts received during official duties inside the country should be registered according to the regulations. Party committees and governments should designate a department in charge of the registration and handling of gifts. If the system is enforced to the letter, there will be no criticism. We should also resolutely and conscientiously solve other problems of which the masses are strongly critical, such as irregularities in collecting fees, pooling funds, and imposing fines, and wanton violations of the laws by law enforcement departments in asking for material rewards before undertaking to handle a case. Leading cadres at and above the county (division) level should strictly observe the central authorities' requirements for honesty and self-discipline and examine themselves according to the regulations. They should take the initiative to promptly correct mistakes and explain problems to the organization. Those who violate the regulations and refuse to correct themselves and who resist orders in violation of discipline should be duly punished. Leading cadres of state-owned enterprises, institutions, and units should conscientiously observe the requirements for honesty and self-discipline set by the Fifth Plenary Session of the Central Discipline Inspection Commission and by the regional discipline inspection commission at the current meeting.

It is necessary to step up leadership over the anticorruption drive. Under the unified leadership of the party committee, party and government departments must work together with top leaders taking personal charge and put the anticorruption drive high on the agenda of party and government organs at all levels. Not only should leading comrades take personal charge of planning and mobilization and assume overall responsibility, members of leading bodies should also take the initiative to implement this work in connection with their respective responsibilities. They also must supervise and guide the next lower level in implementing this work. In

addition to work in their respective regions or departments, leading cadres at all levels must also assume overall responsibility for efforts to fight corruption and build clean government and conscientiously solve problems in this regard. They should take initiative in cooperating with judicial, discipline inspection, and supervision departments in investigating violations of law and discipline; they must not shield one another or practice local and departmental protectionism. A major reason that progress has been slow in some localities in investigating major violations is that local leaders are ambivalent in their attitude; some even cover up violations, hold up cases, or erect barriers to investigations. This is very abnormal. This sort of misconduct, once uncovered, must be severely punished. We must build up strong momentum in combating corruption and building clean government and make full use of propaganda and media departments to create a favorable general climate. Discipline inspection and supervision departments at all levels must enhance cooperation with these departments, and use the news media to build up momentum. We should select some typical violations of law and discipline and publish the results of their investigations as a deterrence to the corrupt elements. Meanwhile, we must also vigorously publicize positive examples of honest cadres resisting corruption and give full scope to the healthy trends to inspire the people and enhance their confidence.

In recent years, the vast number of discipline inspection and supervision cadres working on the frontlines of the anticorruption drive have upheld party spirit and enforced law and discipline impartially, accomplishing a great deal of painstaking work for the anticorruption drive to ensure the smooth progress of reform, opening up, the modernization drive, and stability. Party committees and government at all levels must show greater care and support for discipline inspection and supervision work, keep abreast of the progress of discipline inspection and supervision work and major problems in this area, protect discipline inspection and supervision cadres in earnestly performing their duties, and help them remove intervention and resistance to their investigations. We should make every effort to ease their anxieties and resolve their real difficulties in work, study, and livelihood, and work hard to provide them with the needed working conditions and environment. Discipline inspection and supervision organs at all levels must strengthen themselves and raise their performance to a new level. Discipline inspection and supervision cadres of all nationalities must be fully aware of their responsibilities and mission, keep to the correct political direction, constantly improve their political and professional qualifications, and raise the level of their professional competence and performance. They should dare to uphold principles, be selfless, dauntless, and upright; and wage a resolute struggle against all sorts of negative, corrupt manifestations to create a good image for discipline inspection and supervision cadres, win the people's love and respect, and make new contributions to our

region's anticorruption struggle and to the cause of improving the party work style and building clean government in our region!

Comrades, the people abhor corruption and they strongly demand that we combat corruption, promote clean government, and foster an image of today's communist as being honest and hardworking. We must heed the people's call, carry out, with a strong sense of political responsibility, the anticorruption struggle firmly and effectively to win the people's confidence, and pool together the strength of the people and cadres of all nationalities to steadily advance reform, opening up, and the modernization drive in Xinjiang.

Paper Advocates 'Stern' 'Draconian' Rule of Law
HK2903141595 Beijing FAZHI RIBAO in Chinese 20
Mar 95 p 3

["Politics and Law" column by Liu Zhangxi (0491 4545 6007): "Rule of Law Should Be Severe"]

[FBIS Translated Text] In Singapore, a shop operator was fined 52,000 Singapore dollars, equivalent to 210,000 yuan, for failing to mark the price of a handbag put up for sale on the shelf. The fine was so heavy that it seemed unbelievable but it was a hard fact.

Some people might consider Singapore's rule of law too harsh but it is just such a rule of law, little short of being "draconian," which constitutes a powerful deterrent and restrains to the greatest extent all sorts of illegal activities and uncivil practices, making Singapore a place famous for its economic prosperity, good social order, civilization, courteous citizenry, and stunning beauty and hygiene.

The reason Bao Zheng, a magistrate in ancient China, was known as the "just judge Bao," lay in his impartiality in enforcing the law and, all the more, in his stressing the sanctity of the law.

Our country is different from Singapore and so are our times from ancient times. We have a series of principles of our own for achieving the rule of law but what happened in Singapore and Bao Zheng's position provide enlightenment for us: Only when we enforce a draconian law can we enjoy stability and civilization; only when we severely punish perpetrators without mercy, can law-abiding people live and work in peace and contentment.

For many years past, China has attached great importance to strengthening the legal system. The central and local governments enact a piece of legislation every few days on average. This is something extremely gratifying and inspiring. Nevertheless, we should be aware that some places are far from severe enough on some matters in terms of legislation and law enforcement. A certain city carried on a vigorous campaign against exorbitant profits but the money collected in the form of fines and confiscations only totaled several hundred thousand

yuan, according to their report released a few days ago. It might be because exorbitant profits simply did not exist. If that was the case, it was very fortunate indeed.

A few days ago, the Chinese Central Television's "Interview on Focal Issues" program brought to light the following event: In a certain city, someone obtained about 1 million yuan by deception under the pretext of establishing a so-called "comprehensive university." Several hundred students who were fooled gathered in Xian but could do nothing. According to the program, the fraud concerned quite a number of formal universities and colleges and advertising companies, which provided convenience to the swindler, and official newspapers, which published illegal advertisements. What makes us puzzled is that few people were investigated to determine their criminal liability for the big fraud. What is more strange is: Public security bureau "leaders" in a certain city in east China took the lead in preventing the Nantong City Public Security Bureau from seizing smugglers and freed them even though they were on the run. However, to my knowledge, no action has actually been taken against the "leaders." I would like to ask: When the law and judiciary were lenient to such an extent, how could they guard their sanctity and be a deterrent? Our society is now fraught with corruption, repulsive matters, and criminal activities, arousing unspoken criticism and complaints among the masses. I wonder if our rule of law, which is far from adequately stern, is directly responsible for it.

The history of the former Han Dynasty says: The law concerns the people's lives. Its important function is to stop violence and evil so that the people can be safe and build up their strength. Only when people can be awed by the harshness, and take a warning from the punishment meted out, can the law's role be brought into full play. These old admonitions suggest that it is difficult to get rid of bullies and bring peace to good people without draconian laws. Just as a time-honored saying goes: "Mercy to the enemy means cruelty to the people."

Some people might say: We are moving toward a civilized society, so we should mainly help erring persons to change through education, persuasion, and by setting an example, adopting the approach of curing the sickness to save the patient, rather than enforcing too harsh a law. This argument has quite a few points to recommend it. However, when education, persuasion, and other methods fail to "cure the sickness," severe punishments are indispensable. Comrade Deng Xiaoping emphasized: "We must deal with corruption, offering bribes, theft, and other undesirable matters by means of law and education"; it is necessary "to mete out severe punishment to various felons according to law"; and "the prevailing problem is that we are soft on criminals."

Many facts have demonstrated the following: The further we advance toward a civilized society, the greater is the need for a stern rule of law. This, I am afraid, is a law of social development.

Aim of New 'Spiritual Pollution' Campaign Noted
HK3003064695 Hong Kong HONGKONG STANDARD
in English 30 Mar 95 p 7

[By Wu Zhong]

[FBIS Transcribed Text] Beijing is to limit the study of Western-influenced ideas in order to enhance ideological control and "purify" the social sciences. The move was described by liberal intellectuals in the Chinese capital as an "anti-spiritual pollution campaign". Analysts said the decision was indicative of the leadership's attempt to establish its authority in the run-up to the post-Deng Xiaoping era by "unifying people's thinking".

Academic sources said the State Educational Commission recently issued instructions asking university and college authorities across the country to "scrutinise" Western social science courses by applying Marxist and Maoist interpretations. The instructions were delivered by vice-minister of the commission, Wei Yu, earlier this month, the sources said.

The Chinese Academy of Social Sciences had earlier announced plans to streamline its subjects offered for study to reduce the impact of Western ideas. Sources said subjects to be either limited or removed from core curricula included political science, sociology, contemporary Western philosophy and capitalist economic theories. Most of these subjects were banned in communist China until the late 1970s, when Mr Deng began opening the country up to the outside world. But official media and Communist Party leaders have been increasingly decrying the new, imported "values" from the West as materialistic and anti-family. In his speech to the National People's Congress session earlier this month,

President and party chief Jiang Zemin called for Chinese to resist the influence of "rotten" ideas from the West as the country opens up to the outside world.

The new initiative requires that subject matters in textbooks and reference books are given communist interpretations and that they are "tailored to become more closely related with the national conditions of China", sources say.

In the meantime, Chinese Academy of Social Sciences, the country's top research body in the humanities and social sciences, has already cancelled or set limitations on subjects of research which are considered too Western. Chinese sources said academy authorities took the opportunity of a restructuring of allocation funds for research, completed last month, to strengthen the study of Marxism, Mao's thoughts and Mr Deng's "socialism with Chinese characteristics". At the same time, some sensitive fields with Western influence such as comparative government, political science, Western social ideas and economic theories were either cut out or limited through allocation of resources, they added.

Academy party chief Wang Renzhi recently ordered outstanding researchers to stop writing for overseas interests, especially Hong Kong's media and publishing houses, sources said. Mr Wang, former head of the party's Propaganda Department, said the researchers, especially the young and middle-aged ones, "have been trained by China but now they are serving the overseas bosses".

The initiatives have reminded intellectuals of the nationwide campaign against "spiritual pollution" in the early 1980s, when similar actions were taken in schools and research institutes.

General

Zhu Rongji Speaks on Current Economic Situation

OW2903153595 Beijing XINHUA in English 1518
GMT 29 Mar 95

[FBIS Transcribed Text] Beijing, March 29 (XINHUA)—Vice-Premier Zhu Rongji gave an important speech on China's current economic situation at a meeting in Beijing today.

Zhu, also member of the Standing Committee of the Political Bureau of the Central Committee of the Communist Party of China (CCPCC), outlined the country's current economic situation and discussed issues concerning reforms of the State enterprises and inflation at the meeting held in the Beijing-based Party School of the CCPCC.

Wang Jialiu, vice-president of the school, chaired the meeting which was attended by more than 1,000 officials of all levels who are studying in the school.

RENMIN RIBAO Analyzes Macroeconomic Situation

HK3003005695 Beijing RENMIN RIBAO in Chinese 2
Mar 95 p 9

[By Hua Ercheng (5478 5079 6134): "An Analysis of China's Macroeconomic Situation"]

[FBIS Translated Text] Outline and Conclusion

1. **Situation of Recent Development.** The growth rate of the GDP picked up again in the third quarter of 1994, after slowing down in the first half of the year. Yet the growth rate in the first three quarters of last year was 2 percentage points lower than that in 1992, showing that the pace of overall economic activities had slowed down. In addition, in sharp contrast to 1993, economic growth in 1994 was sustained by a substantial increase in foreign trade. Under the impact of increases in food prices, inflation was exacerbated in the third quarter of 1994. The growth rate in the money supply exceeded 30 percent, the major reason being that the monetization of the rapidly increasing foreign exchange reserves of the central bank did not offset it effectively.

—Compared with the first half of 1994, state investment in fixed assets in the third quarter showed some increase but there were no indications that an "investment craze" similar to 1993 had reappeared. Investment in infrastructure (such as electric power) increased, while investment in the processing industries had gone down somewhat.

—The growth rate of actual retail sales volume (representing the increase in actual consumption) also went up in the third quarter of 1994. Consumption

increased by 8.1 percent, still lagging behind the growth rate of the GDP and resulting in a growth in the savings ratio.

—In the first three quarters of 1994, the growth rate in the real income of rural dwellers (10 percent) surpassed that of urban dwellers (6.8 percent); a partial reason is that improvement in trade conditions produced a helpful impact on agriculture.

—Exports increased by a large margin, while the increase in imports was somewhat limited, resulting in a favorable balance of \$2.2 billion in foreign trade during the third quarter of the year.

—Due to large increase in the inflow of foreign capital and the favorable balance in foreign trade, the foreign exchange reserves of the central bank went up by \$8.1 billion in the third quarter of the year. The exchange rate of the renminbi [RMB] against the U.S. dollar continued to go up, reaching 1.9 percent in the period between 4 April, when the inter-bank foreign exchange market was established at the end of September.

—The rising growth rate in total demand (including the demand for exports) drove up the output growth rate in the third quarter of 1994. While the GDP went up by 11 percent, industrial output increased by 18.6 percent.

—A financial deficit appeared in the government budget in the third quarter of 1994 but the budgetary deficit still did not exceed the limits of the budget approved by the National People's Congress in March 1994. The major reasons for the budgetary pressure were big increases in administrative expenditures and poor performance in the levying of customs duties and other taxes.

—Despite strict control over bank credits, the growth rate of the money supply (M1) still exceeded 30 percent in the third quarter of 1994. The most important reason for the growth in the money supply (basic currency) was that the monetization of the rapidly increasing foreign exchange reserves of the central bank did not effectively offset this trend. However, the increase in foreign exchange reserves was due to the increased inflow of foreign capital (including direct investment by foreign businesses and foreign debts which took the place of domestic loans which were short), as well as the favorable balance of foreign trade. Neither the government (financial deficit) nor state banks (monetary deficit) were the major causes for the expanding money supply.

—In the second quarter of 1994, inflation was somewhat alleviated (an average of 1 percentage point each month). In the third quarter, it picked up again (at an average rate of 3 to 4 percentage points each month). As a result, the price index for consumer goods went up 27.4 percent in September (as compared with the same period in the previous year), or 5 percentage

points higher than the inflation rate in June 1994. The increase in the inflation rate in the third quarter reflected the short-term impact of the government's decision to raise the grain purchase price by 40 percent, which was adopted on 11 June 1994, to compensate grain producers for the price increases in the means of agricultural production.

—Although the excessive expansion of total demand (often demand for investment in fixed assets) caused by the excessive expansion of the money supply is usually the fundamental reason for inflation in China, inflation in 1994 was, to a large extent, "caused by reform." Apart from the abovementioned large-scale adjustment in the relative prices of grain, inflation was also kindled by the unification of the foreign exchange rates (which began to be implemented in January 1994), the reform of the civil servant system (which began to be implemented in October 1993), as well as the adjustments in charges for water and electricity, service charges, and house rents.

—On 6 September 1994, the government announced 10 measures to curb inflation. These measures focused on increasing agricultural output, holding in check investment in fixed assets, and strengthening the government's role in controlling and monitoring prices. The government declared that curbing inflation would be the first and foremost task in the remaining few months of 1994 and in 1995.

2. Policy Suggestions. The strong momentum in foreign trade indicates that the situation in 1994 was different from that in 1992 and 1993 in that pressure from excessive domestic demand was no longer the major reason for inflation. The currency accounts of the central bank also show that the major reason causing the high growth rate in the money supply was no longer the central bank's direct or indirect financing of state-owned departments (government and state-owned enterprises) to cover comprehensive financial deficits. To be more specific, the inflow of foreign capital and the favorable balance in foreign trade have become the major reasons for increases in the money supply, which forces up the foreign exchange rate appreciation and the inflation rate. Such a special situation in the macroeconomy requires people to consider the following:

—As China now has ample reserves of foreign exchange, the limits on Sino-foreign joint ventures, domestic enterprises, and solely foreign-invested enterprises in entering the foreign exchange market can be lessened. This, apart from relieving pressure caused by the appreciation of the exchange rate and inflation, is also conducive to improving the efficiency in the allocation of resources and promoting the revamp of state-owned enterprises.

—Further efforts should still be made to unify, as soon as possible, the foreign exchange market: All foreign exchange swap markets should be unified with the inter-bank foreign exchange market and gradually

removed. The inter-bank foreign exchange market, which was set up recently, should be further developed.

—It is necessary to improve management over short-term capital flowing in or out of China. This is because when the means for the country's currency policy (particularly the open market business of the central bank) and the domestic monetary market are still in the process of development, the flow of short-term capital in large amounts can cause instability in the exchange rate. It is also necessary to closely monitor the loans taken on by domestic enterprises and Sino-foreign joint ventures abroad because part of such capital inflow reflects that enterprises in China are using foreign debts to replace domestic borrowing.

—At present, it seems there is no urgent need to further adjust the savings interest rates in the state banking system. Yet, the interest rates for official loans are too low, far lower than the inflation rate, resulting in distortion and providing loopholes for corruption. To adjust the interest rates on loans upwards will inevitably cause a tightening of the working funds for loss-making state-owned enterprises but this will certainly be beneficial to the economy as a whole.

—A major reason causing the current inflation is the price increases in grain and food products. Therefore, it is important to improve the efficiency and action of wholesale trading and imports in agriculture.

—It is necessary to enforce extremely earnest monitoring over wage increases, particularly in state-owned enterprises, where the pressure for wage increases far outweighs the pressure for increases in productivity. China should be very careful not to fall into the vicious circle of wage and price increases following upon each other.

—In the first three quarters, the growth rate in fixed assets investment by state-owned departments went down noticeably. However, monitoring investments in fixed assets should in no way be relaxed.

Macroeconomic Development

Domestic Demand. In the third quarter of 1994, growth in total demand (investment and consumption) was higher than in the first half of the year. Nominally, state investment in fixed assets increased by a large margin, reaching 51.8 percent. As we lack an appropriate index which deducts the factor of price increases in invested goods, it is hard to see if nominal growth was as big as the actual growth. Nevertheless, judging by the slow increases (less than 10 percent in 1994) in the consumption of steel products and the output of the machine-building industry, as well as the relatively large stockpiles in building materials (such as cement), it seems actual growth in fixed assets investment in 1994 was much lower than 1993. Although the ratio between fixed assets investment and the GDP (based on the 1990

constant prices) showed a limited rise in the third quarter, it may have been around 30 percent or a little higher. What is gratifying is that the proportion of investments in infrastructure went up by a certain degree in the total investment in fixed assets.

The actual increase in retail volume (representing the growth of consumption) picked up greatly in the third quarter of 1994 (actually reaching 8.1 percent) but it still fell behind the rate of increase in the GDP. Therefore, bank savings rate increased and this was also reflected in the increase in the trade balance (see below) in 1994.

In the first nine months of 1994, the per capita actual income of urban citizens increased by 6.8 percent and that of rural citizens increased much more, reaching 10.0 percent. The improvement in rural citizens' relative income as against that of urban citizens changed the previous trend. The recent food price rise helped to bring about this result.

Foreign trade and the inflow of capital. The large growth in exports and limited growth in imports formed the favorable balance of trade of \$2.2 billion in the third quarter of 1994 (customs statistics). As a result, a favorable balance of trade of \$1.38 billion in the first three quarters of 1994 showed that the actual increase was \$13.38 billion as compared with the unfavorable balance of \$12 billion in 1993. According to the present exchange rate for the U.S. dollar, exports increased by 29.7 percent and imports by 15.2 percent in the first three quarters of 1994.

The total value of foreign direct investment (FDI) increased by \$6.5 billion in the third quarter of 1994 and it totaled \$27 billion in the first three quarters of the year. According to reports, due to low interest and higher exchange rates abroad, the flow of other capital into China also increased (such as foreign debts of Chinese enterprises and Chinese-foreign joint ventures). It is believed that some private short-term capital which recently flowed into China is speculative.

The foreign reserves of the central bank suddenly increased by \$8.1 billion in the third quarter of 1994 and the total foreign reserves in the first three quarters of the year increased by \$18.8 billion, nearly double the figure of December 1993 (\$21.1 billion). The favorable balance of trade and the inflow of large amounts of private capital were the main reasons for the increase in foreign reserves.

From 4 April 1994, when China's first inter-bank foreign exchange market opened in Shanghai, to the end of September 1994, the exchange rate of the RMB against the U.S. dollar increased by 1.9 percent (rising from 8.6967 yuan to 8.5300 yuan to the US dollar). During that period, there was always more supply than demand in the foreign exchange market. If there had been no intervention by the central bank, the range in the revaluation of the RMB would have been greater.

Output. Compared with a rate of increase of 10.4 percent in the second quarter and 12.4 percent in the first quarter, the GDP increased by 11 percent in the third quarter of 1994, reflecting the accelerated growth in total demand. Industrial output (increased value) in the third quarter of 1994 also increased rather fast, reaching 18.1 percent as against 16.6 percent in the second quarter. Industrial output of collective and private enterprises and Chinese-foreign joint ventures still formed the main part of economic growth.

The large amount of overstocking in industrial and raw materials showed that there was an increase in debts between enterprises. This problem still existed in the third quarter of 1994 but, due to the efforts of the government which decided that state enterprises operating at a loss should restrict production to reduce stocks, and due to the rapid growth in total demand, it turned out not to be that serious compared to the past. By the end of September 1994, the proportion of state enterprises operating at a loss had dropped by 4.2 percent compared with the first quarter of the year. However, complaints of shortages in working capital and cries for reductions in taxes to reduce burdens could still be heard everywhere.

Financial situation. Financial revenue and expenditure in the first half of 1994 registered a small surplus but this turned into a 10.4 billion yuan deficit in the first nine months of the year. The financial deficit was caused by the slow 18.5 percent increase in income and the abrupt 25.3 percent increase in government expenditure. In expenditure, the government's administrative expenses (mainly salaries) increased by 31 percent, much higher than the average. In revenue, VAT income in the first 9 months of 1994 increased by 33.7 percent. However, the income from the consumption tax decreased and the income from customs duties had not increased greatly (7.4 percent), though the RMB was devalued by 50 percent in January 1994. This slowed down the increase in government income. Another cause affecting the growth of financial income was the arrears in tax payments.

Currency situation. Recently, the central bank began to regularly announce quarterly currency statistics. Currency statistics show that the money supply by the end of the third quarter of 1994 (M1) had increased by 32.5 percent over the same period the year before. The increased rate (annual rate of increase) of the money supply in each of the first two quarters of 1994 both surpassed 30 percent. (Unless otherwise noted, the definition of the money supply referred to in this article is M1. The study of the relationship between money supply and inflation in China shows that M1 is a more significant index than M2.) The trend of a gentle increase in money supply in the first half of 1994 seemed to turn for the worse later on.

The book "Currency Synopsis" showed that the expansion of the money supply (M1) was mainly caused by the

net balance in overseas capital accumulated by the banking sector (mainly the central bank). On the other hand, neither of the two traditional factors—government deficits and loans issued by banks surpassing the increase of savings (the so-called “financial deficit”)—were the main cause for the currency expansion. For example, in the third quarter of 1994 the net balance of overseas capital increased by 69.2 percent (annual growth rate), as compared to the second quarter of the year, and by 226.8 percent compared with the same period the year before. However, the net balance of bank loans (bank loans minus the net balance of quasi-money and other debts) only increased by 8.2 percent over the second quarter and the net balance of government loans only increased by 6.3 percent.

Therefore, the proportion of the net balance of overseas capital in money debts (M1) rapidly increased from 7.0 percent by the end of 1993 to 20.8 percent by the end of September 1994 but the proportion of the net balance of bank loans greatly decreased, from 91.5 percent to 68.2 percent, and the proportion of the net balance of government loans remained stable during the same period.

The continuous decrease of the proportion of the net balance of bank loans was due to the great increase in quasi-money and the flat increase in bank loans. By the end of September 1994, quasi-money (fixed deposits and savings) increased by 41.0 percent (an actual increase of 10.2 percent) as against the same period the year before. The rise in the savings rate, the indexing of savings interest, and the weakening of the attraction of other finance and actual investment were probably the main causes for the large increase in quasi-money.

In the first three quarters of 1994, bank loans increased in a controlled fashion, reflecting the role of state loan planning and the cautious attitude state banks took in providing bank loans. Although the currency authority relaxed its loan policies in the second quarter of 1994 in order to help state enterprises resolve the shortage of circulating funds, on each occasion this depended on concrete conditions. The net balance of loans the central bank gives to state banks, which has usually caused basic money expansion in the past, did not increase in the first three quarters of 1994 but, instead, decreased by 8.3 billion yuan. Because of the large growth in fixed deposits and savings and the cautious attitude towards loans, the banks kept a high rate of excess reserves. By the end of September 1994, it averaged 10 percent (far higher than the 5 to 7 percent range set by the central bank).

The influence of government deficits in stimulating the growth of money has lessened. This is an achievement by the government which has decided not to borrow money from the central bank to make up for the deficits.

The large increase in the net balance of overseas capital mentioned in the “Currency Synopsis” was mainly caused by the central bank’s effort to purchase surplus foreign exchange in order to stabilize the nominal rate of

exchange. This was the main reason for the basic money expansion since January 1994.

The oversupply of foreign exchange on the exchange market in turn was caused by several factors. First, it was caused by the improvement of the balance of trade and the large amount of direct foreign investment. Second, the constant rise in the exchange rate and the fact that interest rates in China were higher than interest rates abroad caused an inflow of foreign capital. However, it is difficult to know the actual amount of the inflow of foreign capital in this category. Third, the foreign exchange reform started at the beginning of 1994 caused a one-time increase in the net balance of overseas capital. This was because under the new foreign exchange system, domestic enterprises were not allowed to open foreign exchange accounts and all their foreign exchange earnings had to be given to the appointed foreign exchange banks, except for some nontrade projects. In addition, some foreign trade companies (FTC) postponed selling their foreign exchange until January 1994 in order to get more profit from a better rate. They had predicted that the RMB would be devalued in January. The increase in the net balance of overseas capital was thus artificially moved from 1993 to 1994.

The currency authority attempted, by depositing special savings in banks and by encouraging specialized banks to pay loans to the central bank, to reduce the influence on the currency caused by the growth in foreign exchange reserves of the central bank. The efforts were correct but were only partially successful.

Inflation. Due to the rise in food prices, the inflation rate rose by an average of 1 percentage point each month from March to July 1994 and was up by 3 to 4 percentage points in the third quarter of the year, causing inflation to reach a new high. Compared with the same period the year before, in September 1994 the consumer price index (CPI) and retail price index rose by 27.4 and 24.6 percent respectively. On 6 September 1994, the State Council issued 10 measures to check inflation. These measures were aimed at increasing agricultural output, controlling investment in fixed assets, and strengthening the government’s role in the administration and control of price trends. The government also listed the control of inflation as the central task of economic work in 1994 and 1995.

The increased food prices in the third quarter of 1994 were caused by the 40 percent average rise in the purchase price of grain on 11 June 1994. Grain prices in June rose by 10 percent over May. In August 1994, the food portion of the retail price index increased by 6.5 percent compared to the previous month and increased again by 6.3 percent in September. The gross index of retail prices rose by 3.0 and 2.0 percent respectively. This means that most of the price rises in August and September 1994 were caused by food price rises. Bad weather also somewhat contributed to the price rises for vegetables (compared with the previous month, they rose by 17 percent in August and 19

percent in September 1994). In addition, the low efficiency of the grain circulation and sales system has also played some role in food price rises.

However, before the rise in the grain purchase price, the retail price of food had already risen by 40 percent in May 1994 over the same period the previous year. This was the result of a 35 to 40 percent rise in grain prices each month between November 1993 and February 1994. The short-term factor causing the grain price rise at the end of 1993 was the market prediction that the government would raise the grain purchase price in 1994. So grain-short provinces tried to buy grain (mainly rice) from grain-producing provinces beforehand. The basic factor had two aspects: 1. Rice output in some southern rice-producing provinces had dropped for three successive years since 1990. 2. The economic overheating in 1992 and 1993 had caused agricultural production resources to flow into industry and tertiary industries or land speculation, thus forcing a substantial rise in the prices of the agricultural means of production and adding pressure to agricultural production. In addition, most cities lifted controls on the sales price of grain in 1992 and 1993. The concurrent development of the grain trade outside the traditional state circulation channels made it possible for the grain price to reflect market demand and supply. Thus, the government's effort in adjusting the grain purchase price was a necessary reaction to worsening conditions in the agricultural trade since 1988, which damaged the income of the peasants and their initiative in production.

In addition to the increase in the grain purchase price, the government also reformed the prices of crude oil, coal, chemical fertilizer, and cotton. (The prices of crude oil and natural gas were raised by an average of 52 and 114 percent respectively; the prices of gasoline and diesel by 14 percent and 38 percent respectively; and the price of cotton by 59 percent.) Local governments also raised the prices of electricity and water and service fees. At the same time, the state strengthened its control over the wholesale market and circulation system of grain, cotton, chemical fertilizer, and petroleum products. Cotton particularly was in very short supply and the circulation links were extensively plagued by cheating. The government also strengthened the monitoring of market prices. However, except for the adjustment of the grain price, most of the other price adjustments had very little impact on the general price level. The reason was that the price adjustment range was small (e.g., coal) or supplies were ample (e.g., petroleum products).

Shandong Deceptive Statistics Examined

HK3003092995 Beijing GUANGMING RIBAO in Chinese 24 Mar 95 p 1

[By staff reporter Ma Xiaoyi (7456 2556 3015): "Investigating a Deceptive Report"]

[FBIS Translated Text] Editor's note: As the socialist market economy system is gradually being established,

the demand for the accuracy of statistical information is much higher. Whether party and state leaders or far-sighted people in all circles, all earnestly hope that our undertakings can be established on a solid and reliable foundation. Premier Li Peng's Government Work Report, adopted at the just-ended Third Session of the Eighth National People's Congress, remarks: "For a period of some, the deceptive and exaggerating practice of some places and units has been serious, and has been a very great harm; it must be resolutely stopped." In the "Monthly Focus" column in March, GUANGMING RIBAO, using the theme "Find the Root Causes of the Practice of Making False Reports and Exaggerations," will expose individual cases; analyze the causes of the practice of false reports and exaggerations; and enhance our understanding; so as to overcome this persistent problem, which will endanger economic work or even put the entire cause of the party at stake. [end editor's note]

Problems Discovered During a General Inspection

Not long ago, with the assistance of the Shandong Provincial Statistical Bureau, this staff reporter visited the Shandong city of Zaozhuang, and conducted interviews and investigations regarding the false report on industrial output value given by Wangzhuang township in the city's Yicheng district.

It is reported that Zaozhuang has done statistical work comparatively well, and that it has been commended by Shandong for several straight years for its courage in exposing problems and shielding no fault. Between June and December 1994, in keeping with the demands of the central authorities, Shandong conducted a province-wide general inspection of how statistical laws and regulations were enforced. Wangzhuang township's problem was discovered and coped with by a provincial-city joint inspection team during the general inspection.

According to an investigation, between January and June 1994, the township-owned Yicheng District steel window factory actually had a total industrial output value of 750,000 yuan (in the value of the year 1990), and reported this 750,000 yuan to the township economic commission. However, the economic commission changed the figure to 8 million yuan and reported this changed figure to the district statistical bureau. It was a difference of 7.25 million yuan in falsely reported industrial output value.

The Yicheng District steel window factory was formerly a farm machinery factory. In January 1994, the factory reported production statistics for the year 1993, of which total industrial output value (value in terms of the year 1990) was 4.995 million yuan, but the Wangzhuang Township Economic Commission tampered with the reported figures in the name of the farm machinery factory, stating that its total industrial output was 12.48 million yuan (in the value of the year 1990). In this way, they set out in the district statistical report the industrial

output value of two factories, raising the original 4.995 million yuan to 17.475 million yuan.

According to the PRC Statistical Law, and to Clause Two of Article 13 of the Shandong Provincial Statistical Management Regulations, anyone who forges, tampers with, or refuses to report statistical data, or who destroys original records or statistical ledgers, will be fined an amount ranging between 5,000 and 15,000 yuan. The provincial-city joint inspection team immediately wrote a ticket imposing a fine of 12,000 yuan for this violation of the regulations. After seeking instruction from the township party committee, the then economic commission director agreed to accept the fine, signed his name on the ticket, and paid the fine.

Interviews in Wangzhuang Township

In Wangzhuang township, this reporter met the then director of the township economic commission who was the person concerned in the case, the township party secretary, the Zaozhuang City Statistical Bureau head, and the deputy head of Yicheng district.

[Reporter] Could you speak a little bit about the case in which Wangzhuang township was fined in September for violating the Statistical Law?

[Township party secretary] The case was a lesson for us. Central leaders' instructions regarding deceptive reports have taken the words right out of our hearts, and are very encouraging. In the past, we have not studied the Statistical Law very well, nor have we taken it seriously enough. Now there are all types of laws and regulations, yet basic-level cadres have little time to study them, as they have a lot of contact with the grass roots.

[The person concerned] Before I worked in the economic commission, I had been engaged in education. I was not very good at enterprise management. Last year, the economic commission reported the actual income and external debt as the industrial output value; it was an incorrect figure, but there was no question of reporting the output value.

[Zaozhuang city statistical bureau head] The district statistical bureau received two statistical reports, one by the steel window factory, the other by the Wangzhuang Township Economic Commission in the name of the farm machinery factory. In fact, the steel window factory and the farm machinery factory were one and the same. The fact that two reports were given by the same factory tells the problem.

(There was a silence for several minutes at the site where the interview was being conducted.)

[Yicheng district deputy head] As a district head, I am to a certain extent responsible for Wangzhuang township's problem. I did not have a very good understanding as to how the statistical laws and regulations were enforced. I thought that it is a general practice that no statistical reports gave accurate figures. I think that in order to

resolve the problem, it is necessary first to step up law enforcement, be realistic, do solid things, and say no empty words.

Regarding the guidance of plans, it is necessary to change our concepts. If plans are unrealistic, statistics will hardly be accurate. There are the questions of law enforcement, the will of senior officials, and of understanding. Therefore, people at all levels should change their concepts. Moreover, there is the question of economic restructuring.

It has been many years since the Statistical Law came into effect. It is necessary to step up publicity, implementation, and enforcement of the Law, but some people often think that the Statistical Law does not have a strong binding force, so they do not enforce it strictly.

It is necessary to ensure through legal, administrative, and social supervision, as well as through the media, that statistics are made according to law. The fact that "cadres produce figures, and figures help cadres' promotion" is very disgusting to the masses, and is a great source of their discontent. It directly affects the authority and image of organizations at all levels.

[Zaozhuang city statistical bureau head] Incorrect statistical data currently are a very serious problem. There are many reasons for it, the main ones being: First, unrealistic plans are made. On the question of developing the economy, some units take figures as the main goal in determining their work performance. They will set unrealistically high goals, and exceedingly high demands and indexes at all levels. If they cannot fulfill them, they will cheat at statistical data.

Second, statistical data are bound up with the economic interests of individuals or small groups. During economic restructuring, all types of contracted responsibility systems have been established, and this has a positive effect on bringing into play the initiative of cadres and the masses, and on promoting economic development. However, as responsibilities are contracted at various levels, it happens that heavy tasks are imposed on lower units, with the result that the old method under the planned economic system is followed for evaluating and assessing levels of economic development. In order to fulfill targets and get more bonuses, some units tamper with numbers, "letting numbers tell of their performance."

Third, the criteria and standards on which the performance and achievements of cadres are based are unscientific. It happens that output value and growth rates are taken as standards to determine their award or good performance. As a result, they are afraid of being outdone, and they will compete with one another, compare themselves with others, and then decide what figures they will report. The spread of deceptive practices is, in the final analysis, a question of cadres' ideological line.

Vice Governor Song's Analysis

After ending the interviews in Wangzhuang township, this reporter returned to Jinan, where he met and had an

interview with Song Fatang, deputy party secretary and executive vice governor of Shandong province.

Song Fatang said: There is really the problem of incorrect statistical figures with some localities and units in Shandong. There are several situations: First, a few intentionally give false reports. Second, statistical personnel are rather incompetent and cannot get accurate figures. Third, statistics overlap. The Shandong provincial party committee and government take a very clear-cut position on forged statistical data. They are resolutely against it, and believe it is a bad trend that will harm party discipline and conduct, and will have a very great impact on leaders, making them unable to make correct policy decisions. At the latest meetings of provincial and city cadres, principal provincial party leaders solemnly criticized this exaggerating and deceptive behavior.

Song Fatang said: In real work, the general inspection launched in the province regarding the enforcement of statistical laws has sternly coped with the problems discovered. When they feel there are problems with statistical figures, they will conduct investigations or sample checks of major points. In fact, Shandong Province pursues a "strategy in which strong counties and townships help weak ones." In the past, the province chose through evaluation a number of counties and townships in the province with economies that were developing rapidly, and then commended or awarded them. Later, they discovered some side effects and serious deceptions in the course of practice. The provincial party committee has decided to suspend the evaluation for the time being. In addition, we discovered that Shandong's foreign trade figures overlapped. After re-examining and recomputing the figure, \$860 million were finally taken out of it. When we discovered problems with the industrial output value of units at and below the township level, we made sample checks of major points, and thus reduced the output value by 35 percent. The province has reiterated that they should pay more attention to scientific statistical work in the future.

Speaking on the contingent of statistical law enforcement personnel, Song Fatang said: Shandong Province is prepared to further improve the contingent of statistical personnel, especially statistical organizations at and below the township level. It will pay great attention to the "root causes" and will continuously give publicity to the Statistical Law and conduct a general inspection of how laws and regulations are enforced.

Anhui Secretary Leads Delegation to Hainan

HK3003073795 Haikou Hainan People's Radio Network in Mandarin 2300 GMT 20 Mar 95

[FBIS Translated Text] A 21-member Anhui provincial delegation led by Lu Rongjing, secretary of the Anhui Provincial CPC Committee; Ji Jiahong, member of the Standing Committee of the Anhui Provincial CPC Committee; and Anhui Vice Governor Wang Xiuzhi; conducted a survey in Hainan Province 12-19 March.

During this time, they held discussions with the relevant Hainan departments on strengthening the wide-ranging cooperation between Anhui and Hainan. Accompanied by the leaders of the relevant departments, the delegation visited Qionghai, Wanning, Sanya, Dongfang, Danzhou, and Yangpu to survey their industry, agriculture, and tourism.

On the afternoon of 17 March, Hainan Executive Vice Governor Wang Xiaofeng, deputy secretary of the provincial party committee, met Lu Rongjing and his entourage at the Qionglin Hotel. The two sides briefed each other on their strong points, reforms, opening up, and economic construction, and conducted initial discussions on cooperation in tourism, agriculture, and shipping. On 18 March, accompanied by Chen Yuyi, deputy secretary of the Hainan Provincial CPC Committee and secretary of the Haikou City CPC Committee, and Wang Houhong, member of the Standing Committee of the Hainan Provincial CPC Committee and secretary general of the provincial party committee, the delegation visited an industrial development zone in Haikou, as well as the Haikou canned food

Mining Fee System Established

HK2903125895 Beijing CHINA DAILY in English 29 Mar 95 p 2

[By Yang Yingshi: "Mines Made To Pay Use Fees"]

[FBIS Transcribed Text] The decades-long history of freely exploiting mineral resources is over as a result of the establishment of a mining paying system, a senior official said yesterday.

The system, approved and introduced by the State Council last April, demands the country's mines to pay 1.18 per cent of the total value of the mineral resources they develop to the central government.

Most people gradually have accepted the concept that all mineral resources are State-owned, Vice Minister of Geology and Mineral Resources Zhang Wenye told a press conference in Beijing.

Last year, 19 provinces, municipalities and autonomous regions turned over more than 200 million yuan (\$23.7 million) to the central government, although the figure falls far less than what's required, Zhang said.

Shandong, Heilongjiang, Hebei and Henan Provinces took the lead, turning over more than 10 million yuan (\$1.2 million) each.

More than 90 million yuan (\$10.6 million) in fees were collected by mid-March. Zhang anticipated the whole amount this year to well surpass that of last year.

Zhang also revealed that 25 provinces, municipalities and autonomous regions have mapped out effective local measures to collect the fee.

According to Zhang, the money collected will be used to develop and protect the country's mineral resources, which are facing a shortage as a result of uncontrolled mining.

Rural Power Grid Now Covers 90 Percent of Nation

OW3003040695 Beijing XINHUA in English 0219 GMT 30 Mar 95

[FBIS Transcribed Text] Hohhot, March 30 (XINHUA)—China has formed a rural power grid that covers 90 percent of its territory, and has encouraged the development of wind-driven power, solar energy, and gas projects in areas which are short of electricity.

The purpose is to help people in remote and poor areas to improve their standard of living and work conditions so as to pave the way for economic development, according to a national working meeting on rural power held here recently.

At present, China has 2.4 million kilometers in transmission lines of 10 kilovolts to 110 kilovolts, and 5.13 million kilometers in low-voltage lines. It has also built 14,574 substations and 2.22 million transformers.

More than 800 million farmers and herdsman in 700,000 villages, in 45,000 townships have been supplied with electricity.

A survey has shown that the country's small power stations have a combined capacity of 28.8 million kilowatts, and turn out 88.7 billion kilowatt-hours of electricity a year.

Wang Shucheng, vice-minister of Power Industry, attributed the rapid power development in rural areas to local governments' efforts in issuing preferential policies and raising funds to boost the industry.

Ministry Sets Subsistence Income Lines for Five Cities

OW3003040795 Beijing XINHUA in English 0132 GMT 30 Mar 95

[FBIS Transcribed Text] Beijing, March 30 (XINHUA)—China has set the level of subsistence income lines for Shanghai, Fuzhou, Xiamen, Dalian and Qingdao cities and will provide guarantees for standard-income citizens, said an official from the Ministry of Civil Affairs.

Shanghai's subsistence line was set at 135-147 yuan a month, Qingdao's at 96 yuan a month and Dalian's at 140 yuan a month. Both Fuzhou and Dalian's subsistence lines were set at 150 yuan (about 18 U.S. dollars) a month.

The official said that citizens whose monthly incomes are below the line can apply for social relief, adding that such citizens in Shanghai can also receive 500 g of sugar, 500 g of edible oil and ten kg of rice a month.

The official said that although the general living standard has substantially improved, the disparity in incomes has also widened.

Soaring inflation and difficulties in some state-owned enterprises have brought budget difficulties to a certain number of citizens, he said.

Statistics show that China has nearly 20 million urban citizens whose monthly incomes are below 150 yuan.

The official said that the ministry is now doing research on the setting of subsistence income lines for the rest of the cities in China, adding that two meetings will be held in Xiamen and Qingdao, respectively, in May to promote the experience of Shanghai and the four other cities to the remaining part of the country.

***Economists Analyze Urban-Rural Income Gap**

95CE0249A Beijing JINGJI YU GUANLI YANJIU [RESEARCH ON ECONOMICS AND MANAGEMENT] in Chinese No 12, 20 Dec 94 pp 34-45

[Report by Sheng Laiyun (4141 0171 6663) and Sun Meijun (1327 2734 0689) of the State Statistic Bureau Agricultural Survey Team's Study Group headed by Zhang Xinmin (1728 2450 3046): "A Study of the Income Gap Between Urban and Rural Populations." The article is from the "One Hundred Topics" series sponsored by the Ministry of Agriculture.]

[FBIS Translated Text] Since the beginning of the restructuring of the economic system, and in the wake of economic growth, the income gap between urban and rural populations has continued to change. Between 1978 and 1985, the urban-rural income gap narrowed somewhat, only to open up again in the 1985-1993 period, and the gap has continued to widen since. This situation has raised broad concern. This article utilizes an accurate measurement of the income difference between urban and rural populations and focuses on exploring the causes and effects of the changes to determine whether the widening gap between urban and rural income is reasonable at the present stage of economic development.

I. Assessing the Income Gap Between Urban and Rural Populations

When most comrades calculate the magnitude of the urban-rural income gap, they simply compare the "per capita cost-of-living income of people living in cities and towns" to "peasant net per capita income." This approach greatly underestimates the real income differences. In fact the two indexes are not comparable. The cost-of-living income of people in cities and towns is defined as the portion of actual income out of a family's total income set aside for everyday living expenses. That is, it is the total "actual income" less "living expenses," "gift expenses," payment of various taxes, and the "boarding fee" and "survey supplement" paid by people

who regularly dine with the family, but are not members of the family surveyed. Actual income refers to a family's cash income and is income in monetary form actually in the hands of people living in cities and towns. But meanwhile, their actual spending on consumer goods and services not included in their cash income—such as housing, free medical care, low-cost or free consumer goods, and various in-kind goods and materials distributed by units—basically are not reflected in their total income. Peasant net per capita income refers to the family's total income after deducting production-related and nonproductive management expenses, taxes, deliveries to the collectives, and so on. It is income which can be spent directly on productive and nonproductive construction investments, everyday consumption, and savings. It includes cash income as well as in-kind income, and it also includes some transferrable expenses—such as “money remitted to people not living at home” and “gifts”—which are deducted from the cost-of-living income of urban dwellers. Thus the “cost-of-living income of people living in cities and towns” and “peasant net per capita income” are basically not comparable in specification or scope. In order to preserve the independence and integrity of the existing indexes used in urban-rural household survey programs and to understand and compare the income difference between the two large urban and rural populations in a relatively objective and comprehensive way, we must introduce and standardize the concept of comparable income. We believe that a better index is their disposal income.

The *United Nation's Guide on Income Statistics* (referred to simply as the *Guide* below) defines disposable income as total household spending on final goods and materials and other non-obligatory expenses and savings. It is a household's total income—comprised of basic income, asset income, and transferrable income—less tax payments and social security and pension funds. According to this definition and the actual meaning of disposable income, peasant net per capita income in our current surveys is an index that reflects comprehensively peasant household income and expenditure; its basic substance is consistent with the concept of disposable income. However, the urban population's per capita cost-of-living income does not even come close to representing disposal income because it does not include in-kind income; it must be properly readjusted. The adjustment can be made in the following way:

1. Based on the definition of disposable income in the *Guide* and on discussions of in-kind and service income, and in order to be consistent with the existing indexes, we take the urban population's actual income in the current program and subtract from it, taxes, survey supplements, and production expenses [as published], and we label the difference disposable monetary income. We then add all in-kind and service income—namely, housing subsidies, consumption goods price subsidies, in-kind income, and portions of the workers' benefit payment—and label that nonmonetary income. Thus the

urban population's disposable income equals their disposable monetary income plus their nonmonetary income. The focus of computation is to clarify their nonmonetary income.

2. Housing subsidies in the urban population's nonmonetary income are computed by multiplying the workers' total wage by a 25-percent additional stipend coefficient. The “Program To Implement in Stages and in Groups the Restructuring of the Housing System in the Nation's Cities and Towns,” promulgated by the State Council in 1988, notes that the “25-percent additional stipend coefficient” involves the scope of housing benefit as a whole. The program stipulates that “the additional stipend coefficient (the coupon or subsidy coefficient is the coefficient of the index of the scope of worker housing benefits) should be kept under 25 percent.” This index sets the macroeconomic standard for added wages in the form of housing, and it gives a quantitative idea of the scale of housing benefit extended to the workers by the state. In other words, the value of the state housing subsidy is about 25 percent of the standard worker wage. With regard to the 25 percent housing subsidy coefficient, relevant parties have conducted detailed studies and have set up experimental points in some cities (see report in the State Natural Science Fund- State Science Commission funded project's *Study on the Restructuring of China's Wage System*, Research Paper No. 10: “Wage Reform and Housing Reform” by Guan Shilai [7070 0013 0171] and Zhu Yan [4281 1481].)

3. The free medical care the urban population receives and a small part of their transportation subsidy can be computed from the “total worker insurance and benefit expenses” which reflects the amount of worker benefits as compiled in worker wage statistics. The “worker insurance and benefit expenses” has three parts: One part is already reflected in the “resident's other income received from the unit” and “leave-of-absence and retirement pay” in the survey of urban households. Another part is the collective welfare facilities and cultural, entertainment, and sports advertisement expenses not available for the people's personal consumption. The third part is the free medical care and transportation subsidy people living in cities and towns receive, cultural and entertainment and sports advertisement expenses, “other income received from the unit,” and “leave-of-absence and retirement pay,” which then more or less reflects the actual amount of free medical care and some of the transportation subsidy the people receive. [sentence as published]

4. We can calculate the Financial Ministry's hidden price subsidies by subtracting the price subsidies for meat and other goods—subsidies that are handed out with worker wages and which have become “overt subsidies”—and other price subsidies paid to enterprises from the “total amount spent by the Financial Ministry on price subsidies” as compiled in the comprehensive statistical materials.

5. As for an estimate of in-kind income, we have no existing statistics to refer to, but based on the City Survey Team's estimates, it amounts to around 5 percent of the urban population's cost-of-living income.

With the above adjustments and estimates, we have a general quantitative idea of the urban population's disposable income since 1980, and on that basis, we can calculate the urban-rural income difference which is shown in Tables 1 and 2 below.

Table 1: Estimates of Disposable Income of People Living in Cities and Towns (unit: yuan/person)

Year	Per capita disposable income	Disposable monetary income	Housing subsidy	Medical and other subsidies	In-kind income	Hidden price subsidies	Nonmonetary income
	U-DI	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆
1980	620.2	429.4	74.3	39.9	22.0	54.6	190.8
1981	681.7	490.4	74.7	21.4	22.9	72.4	191.3
1982	721.5	525.3	74.5	22.0	24.7	75.0	196.2
1983	770.4	562.9	75.0	23.0	26.3	83.3	207.5
1984	870.3	650.1	81.0	21.6	30.4	87.1	220.2
1985	967.2	738.9	91.0	22.2	34.3	80.9	228.3
1986	1,143.5	900.0	101.8	34.6	41.4	65.8	243.5
1987	1,268.7	1,002.2	106.7	41.6	45.8	72.3	266.5
1988	1,477.7	1,182.1	115.3	51.8	56.0	72.4	295.6
1989	1,704.7	1,375.8	121.9	54.7	63.0	89.2	328.9
1990	1,922.0	1,512.8	146.6	103.6	69.4	89.6	409.2
1991	2,148.5	1,700.6	159.8	123.0	77.2	87.9	447.9
1992	2,484.2	2,013.3	171.8	136.5	91.3	71.3	470.9
1993	3,070.9	2,563.2					507.7*

Note: U-DI = Y₁ + Y₆; Y₆ = Y₂ + Y₃ + Y₄ + Y₅; Y₄ = urban population's per capita cost-of-living income x 5%; Y₅ = the financial ministry's hidden price subsidies/average urban population per year

*—1993's nonmonetary income was estimated based on the rate of increase in nonmonetary income since 1980. Source: *China Statistical Yearbook*, 1993.

Table 2: Urban-Rural Income Gap (unit: yuan/person)

Year	Urban per capita disposable income	Urban per capita disposable income after discounting price factor	Rural per capita disposable income	Rural per capita disposable income after discounting price factor	Index of income difference (rural income = 1)
1980	620.19	576.92	191.33	186.66	3.09
1981	681.71	665.08	223.44	219.92	3.02
1982	721.54	707.39	270.11	257.98	2.74
1983	770.36	755.25	309.77	309.15	2.44
1984	870.31	847.43	355.33	353.91	2.39
1985	967.20	864.34	397.60	383.05	2.26
1986	1,143.49	1,068.69	423.76	410.32	2.60
1987	1,268.66	1,174.68	462.55	445.79	2.64
1988	1,477.70	1,224.27	544.94	491.69	2.49
1989	1,704.68	1,465.76	601.51	536.22	2.73
1990	1,921.96	1,897.29	686.31	667.62	2.84
1991	2,148.52	2,044.26	708.55	700.04	2.92
1992	2,484.24	2,287.52	783.99	750.35	3.05
1993	3,070.90	2,654.05	921.40	809.08	3.27

Note: All comparisons between urban and rural incomes are based on current year comparable income after

discounting price factor. Unless otherwise stated, income refers to disposable income. Same below.

These data give us the following impression: During reform, the urban-rural income gap gradually narrowed and then gradually widened again; the difference grew smaller and then grew bigger, and the process followed a U-shaped curve. In the last two years, urban income has grown to more than three times rural income, restoring the disparity level of the early 1980's. In fact, the widening of the urban-rural income gap is a national phenomenon. Empirical analyses of urban-versus-rural income and consumption differences in the major eastern, central, and western economic zones and at different income levels all proved this point (empirical studies omitted here.)

II. Relationship Between Urban-Rural Income Gap and Economic Growth

The urban-rural income (consumption) gap has continued to widen since 1985, and this is evident in different economic regions and among different income groups. Is this universal change a natural result of economic development at this stage? If so, is it reasonable? To what extent is it reasonable or unreasonable? To answer these questions, we must study the relationship between the changes in income gap and economic growth.

First, let us test a hypothesis: The magnitude of urban-rural income difference is a function of the index of economic development, and the curve of its change is an inverted U-shaped parabola. In other words, in the early stage of economic development, the urban-rural income difference is small, but as the level of economic development rises, the income difference increases, but after the level of economic development reaches a certain level, the income gap narrows again. Due to the lack of systematic data, we shall adopt a substitutional method. That is, we take the cross-section of data collected from nations around the world for any one year and use that to approximate the long-term data of a country over different periods of development to test the relationship between economic development and income differences. Using a cross-section of international data to study the relationship between economic development and the magnitude of income differences is practical. Because such data ignores the effects of social, political, and economic systems and of the differences in natural conditions and only take into consideration the general laws of economic development, they are even more typical in a broad sense.

Affected by different national accounting systems, most countries currently do not have separate urban-versus-rural income data. In this article, we are comparing nonagricultural work per capita annual income or pay rate to agricultural work per capita annual income or pay rate to approximate an urban-rural income comparison. The reasons for this are: 1) The urban-rural income difference in fact is the difference between nonagricultural and agricultural income. Most urban dwellers work in industry and other nonagricultural industries, while

the rural population's livelihood is dependent on agriculture. 2) Wages are the main source of income for most family members. Setting aside property and income from other factors, the difference in urban-rural wages is the main factor in urban-rural income difference. Of course, everybody understands why, given the same social conditions, people with the same work capacity working in different sectors earn different wages. 3) In Western developed countries, there is no barrier between town and country. All factors of production are governed by the law of value and can freely circulate and recombine in different industries; there is little difference between industry and agriculture, and there is little difference in pay rates between the industrial and other sectors. In addition, the number of people each urban or rural worker supports is basically the same; therefore, in effect, the income difference between nonagricultural work, as represented by industry, and agricultural work is the difference between urban and rural income in the practical sense. Based on the United Nations 1992 *Labor Statistics Yearbook*, we have chosen the 1990 figures of 44 countries with fairly complete data for our computation. (Footnote 1) (The choice of sample countries must meet the following four criteria: 1) There are income or pay data for workers employed in the agricultural sector; 2) there are income or pay data for workers employed in the nonagricultural sector; 3) there are population figures for the corresponding years; 4) there are GDP or GNP figures for the corresponding years. Only countries with all four sets of data qualify to be in our sample. Although the United Nations 1992 *Labor Statistics Yearbook* listed data from more than 100 countries, only 44 have all of the above data, and we have included all of them in our sample for computation. In this sense, our sample choice is objective and random. Since the 44 countries are scattered in different regions, are at different levels of development, and have different social systems, we believe that the sample is representative of all countries globally. Perhaps some people may suggest that we use other sources to supplement countries that are missing certain data to increase our sample size, but this is very risky, because it is difficult to prove that data from other sources had comparable statistical specifications.)

We used the following model equation to test our hypothesis:

$$Y = a_0 + a_1 \ln(x) + a_2 \ln(x) \ln(x) + a_3 D,$$

where Y is the ratio of the difference between nonagricultural and agricultural income; X is the per capita GNP or GDP of different countries; a is a constant; D is an imaginary variable—if the sample country is a socialist country, D=1; otherwise D=0.

The following is the regression equation for our model:

$$Y = -2.32 + 1.47 \ln(x) - 0.11 \ln(x) \ln(x) - 0.94D; \quad (2.36) \\ (0.64) \quad (0.04) \quad (0.31) \quad R^2 = 0.4028; \quad R(\text{bar}) = 0.6837; \quad F = 8.992, \quad \text{Prob} > = 0.0001;$$

Numbers in brackets are the standard variations.

Looking at the value of various statistical characteristics in the equation, the regression model is significant. $R^2 = 0.4028$ indicates that at least more than 40 percent of the income difference can be explained by a country's economic development. In a nonlinear regression, the small correlation coefficient does not necessarily mean that there is little relation between the independent and dependent variables; it only says that there is no strong linear relationship between them. Looking at the shape of the regression line, the inverted U-shaped parabola is clear, which shows that the hypothesis is valid.

An analysis of a cross-section of the 1992 data by individual provinces in China further supports the above conclusion:

$Y = 49.99 - 10.81\ln(x) + 0.61\ln(x)\ln(x); (19.89) (-2.14) (1.90) R^2 = 0.5979 R(\text{bar}) = 0.5171 F = 20.819 \text{Prob}[>]F = 0.0001$, where Y is the income difference between urban-rural populations in various provinces; X is the per capita GNP of various provinces (yuan per person.)

The above result shows that, where there is no interference from different social systems, the correlation between urban-rural income difference and the level of economic development is even stronger.

After analyzing the correlation between urban-rural income differences and economic growth, we can introduce the concept of natural and unnatural differences and offer a tentative explanation about why the gap between urban and rural income has widened since 1985.

Natural differences refer to the income difference that is inherent in an economic system and is consistent with

the level of economic development at the time; it is an intrinsic attribute of economic development. Given that amount of income difference, the relationship between industry and agriculture is proper, the relationship between town and country is coordinated, and everything is most conducive to comprehensive economic development at that time; it should be the ideal income difference sought by all economic systems. Yet, because the natural difference is hidden by the actual difference, it changes continuously as the economy grows, and people often overlook its existence, just like value is hidden by price and is often overlooked. But regardless of whether the actual income gap is widening or narrowing, it must ultimately be founded on the natural income difference. Our analysis of the consequences of the change in income gap later will explain this point. The natural income difference is indicated by Y_0 . Here, Y_0 refers to the ratio between nonagricultural and agricultural wages at a certain level of economic development, X . Its fixed value is determined by the regression equation $Y = F(X)$ for the 44 countries, as discussed earlier. The unnatural difference refers to the difference between the actual and natural differences, Y_0 , and is indicated by αY ; that is, $\alpha Y = Y - Y_0$, where αY may be greater than, smaller than, or equal to zero. The unnatural difference is determined primarily by external socioeconomic variables or by some incidental factors.

Based on the above definitions and pertinent equations, and calculated according to exchange rates after adjusting price indexes, China's urban-rural income difference between 1978 and 1993 can be broken down as shown in Table 3 below:

Table 3: Breakdown of Urban-Rural Income Gap in China for the Period 1978-1993 (based on adjusted exchange rates)

Year	Per Capita GNP		Actual Difference Y	Natural Difference		Unnatural Difference	
	(in yuan)	(in dollars)		Y_0	Y_0/Y	αY	$\alpha Y/Y$
1978	373	233	3.42	1.40	0.41	2.02	0.59
1979	410	252	3.36	1.42	0.42	1.94	0.58
1980	453	262	3.09	1.43	0.46	1.66	0.54
1981	477	269	3.02	1.44	0.48	1.58	0.52
1982	511	284	2.74	1.45	0.53	1.29	0.47
1983	564	308	2.44	1.46	0.60	0.98	0.40
1984	667	354	2.39	1.49	0.62	0.90	0.38
1985	808	395	2.26	1.50	0.67	0.76	0.33
1986	902	416	2.60	1.51	0.58	1.09	0.42
1987	1,034	444	2.64	1.52	0.58	1.12	0.42
1988	1,267	460	2.49	1.52	0.61	0.97	0.39
1990	1,548	466	2.84	1.52	0.54	1.32	0.46
1991	1,747	511	2.92	1.53	0.52	1.39	0.48
1992	2,051	577	3.05	1.53	0.50	1.52	0.50
1993	2,648	645	3.27	1.54	0.47	1.73	0.53

Table 3 tells us that because China's economy has begun to take off, its inherent natural difference is increasing. This means there is an external impetus widening the actual income gap. Prior to 1985, because of policy factors, the unnatural difference showed a trend of accelerated decline, and the urban-rural income gap was kept from widening. After 1985, the unnatural difference also tended to increase, and adding the inherent momentum of increase in natural difference, it supplied extra impetus to the continuous widening of the actual income gap. If we accept the natural difference as reasonable and treat the unnatural difference as unreasonable, then in Table 3, we will find that even in 1985, when the urban-rural income gap was the smallest, the unreasonable difference was still as much as 33 percent, and since 1985, it has been increasing at an accelerated rate, surpassing the 50 percent mark to reach 53 percent in 1993. The relevant departments should pay close attention to this phenomenon.

III. Analysis of Factors Affecting the Urban-Rural Income Difference

Theoretically, all factors that affect urban and rural income will affect the magnitude of the income difference, and these factors may be natural, social, political, or economic. For instance, unforeseeable natural disasters, the method of distribution chosen by a specific social system, the policy implemented by the government in pursuit of certain economic growth or social stabilization goals, and the circulation and combination of factors of production within the economic system can widen or narrow the urban-rural income gap via different functional mechanisms. These factors can also be divided into many subfactors. The impact of the circulation and combination of urban and rural factors of production on income difference alone can be broken down into differences in asset possession, labor quality, technological contents, and so on. Therefore, it is very difficult, and also very impractical, to accurately ascertain all elements that affect the urban-rural income difference. Our goal is to classify the factors and use model analysis to find those factors that have a major impact.

First, we break down the ratio of urban-rural income in the following equation:

Magnitude of urban-rural income difference (Y) = urban per capita disposable income/rural per capita disposable income = (total urban disposable income/total urban population)/(total rural disposable income/total rural population) = [(nonagricultural urban income + housing subsidy + price subsidy + in-kind income and service benefits and other hidden income + others)/total urban population]/[(agricultural income + rural nonagricultural income + others)/total rural population]

If we break this down even further, we can treat urban nonagricultural income as a function of urban nonagricultural relative labor productivity and industrial product prices, and we can treat peasant agricultural

income as a function of agricultural relative labor productivity and agricultural product prices. The economic implications of these two functions are not difficult to understand, because the main sources of urban and rural income are the quantity of final products they create in their respective sector and surplus value of products after deducting production costs. The relative labor productivity of any industry is the ratio between that industry's output value or national income and the number of workers employed in the industry; it is the main efficiency indicator that reflects the input-output ratio of factors of production in an economic system and is typical of that industry. Thus, the magnitude of the urban-rural income difference, Y, is determined by the urban nonagricultural sector's relative labor productivity rate, the agricultural relative labor productive rate, industrial product prices, agricultural product prices, hidden income of the urban population, nonagricultural income (primarily township enterprises) of the rural population, and the population sizes in town and country. To make it even easier to understand, we will further classify and define the factors:

1. X_1 = (urban nonagricultural relative labor productivity rate/agricultural relative labor productivity rate) = (Total urban social output value/number of urban workers)/(Total rural social output value/number of rural workers). In fact, X_1 is the binomial coefficient of a dual economic structure. Internationally, many experts use this coefficient to compute the strength of a dual—urban and rural—economic structure of a developing nation. Generally speaking, during industrialization, as the economy develops, the dual structure [as published] gradually increases, because during this period, the non-agricultural labor productivity rate is increasing faster than the agricultural labor productivity rate. To enable the country to realize its industrialization goal sooner, massive funds and high-quality workers are shifted to the urban nonagricultural sector, and agriculture must also provide accumulation for the industrialization process. As a result, the urban nonagricultural labor productivity rate rises rapidly, which also means a rapid increase in urban income. Meanwhile, constrained by production technologies and lack of investment, agricultural labor productivity will see slow increases, and in turn any increase in agricultural income will be slow, and unless acted upon by other factors, this trend will continue into the post-industrialization period. At that time, industry may be able to support agriculture and turn the trend around until agricultural labor productivity catches up with the nonagricultural labor productivity rate, and the dual, urban-rural, structure will begin to integrate. Between 1978 and 1993, as the economy developed, China's agricultural relative productivity rate, as well as its urban nonagricultural relative labor productivity rate, were rising, but the binomial coefficient followed a U-shaped curve, contrary to theory. This peculiarity was consistent with the process of the restructuring of China's economic system and the special agricultural development policy adopted by the government prior to

1985, and was not typical. In fact, the increasing binomial coefficient prior to 1985 was the norm and the harbinger of industrialization. What is interesting is that the U-shaped curve of the binomial coefficient coincides with the curve of the change in urban-rural income gap. In our later analysis, we will see that it is this change that sets the tone for the magnitude of change in income difference.

2. X_2 = (agricultural product value - agricultural product price)/agricultural product value. X_2 shows how much a product is priced below its value and reflects the price scissors differential between industrial and agricultural products. It is because of these price scissors that peasants are in effect giving urban industry a very substantial accumulation. According to State Statistical Bureau's Main Agricultural Survey Team estimate, between 1952 and 1992, agriculture handed industry an accumulation fund worth as much as 1.258 trillion yuan in the form of price scissors, and after deducting the Financial Ministry aid-agriculture fund and the Ministry of Agriculture income deficits, agriculture still provided industry an accumulation fund worth 1.0636 trillion yuan. This huge sum of money strengthened the material base from which the urban population obtained their nonagricultural income but directly reduced peasant income. The gap between the price and the value of agricultural products basically showed the same trend of narrowing and then widening between 1978 and 1992.

3. X_3 = per capita hidden income of urban population/per capita disposable income of urban population. Benefited by the dual structure and the traditional economic system, city dwellers enjoy housing subsidy, price subsidy, in-kind income, free medical care, and other worker benefits not extended to people in the countryside. These are deemed hidden income. According to computations in Part I, between 1980 and 1993, hidden income accounted for an average of 18.3 percent of the disposable income each year. Such hidden income naturally affects the amount and the change in the urban-rural income difference.

4. X_4 = Rural per capita nonagricultural income/peasant per capita disposable income. As township enterprises develop, peasant income from nonagricultural sources soared to 28 percent, quadrupling that in 1978. Township enterprises have become an importance source of added income for peasants; they play an important role in reducing the urban-rural income difference. Conceivably, if not for township enterprise contributions, the urban-rural income difference in China would be even greater. In other words, the rapid development of township enterprises may be the turning point that hastens the narrowing of the natural urban-rural income gap in China.

5. X_5 = total urban population/total rural population. We hope this index can show us two things: One, it reflects the speed or extent of urbanization of the population; two, it reflects the result of the natural increase in urban and rural populations. In fact, changes in this index can only come from two sources: Either because of a shift in rural population to the urban areas, or because there is a difference in urban and rural birth and death rates. The effects of this index on the income difference are also two-pronged: One, given that there is no economic growth, if the value of this index decreases, the income difference will increase, because a decline in the value of this index implies an increase in the rural population, which naturally means the per capita share of everything will be smaller. Two, given the condition of sustained economic growth, if the value of the index increases, it implies a higher level of urbanization. If the level of industrialization which accompanies urbanization has not reached the point where it can reduce the natural income difference between urban and rural populations, then usually the income gap will widen; otherwise, it will narrow.

With the above stipulations and brief description, we can use the relevant 1978-1993 data to estimate the correlation between the indices and the strength of their effects.

1. Correlation analysis:

Table 4: Matrix of Correlations Between Urban-Rural Income Difference and the Relevant Factors

Indices	1	2	3	4	5	6
1. Urban-rural income difference (Y)	1.000 (0.00)	0.7722 (0.0007)	0.7455 (0.0014)	0.1080 (0.7016)	-0.3322 (0.2264)	-0.4224 (0.1168)
2. Binomial coefficient of the dual economic structure (X_1)		1.0000 (0.00)	0.9142 (0.0001)	0.1327 (0.6373)	-0.7534 (0.0012)	-0.7742 (0.0007)
3. Ratio of difference between agricultural product price and value (X_2)			1.0000 (0.00)	0.2540 (0.3609)	-0.7485 (0.0013)	-0.7599 (0.0010)
4. Ratio of urban population's hidden income (X_3)				1.0000 (0.00)	-0.5952 (0.0192)	-0.5903 (0.0250)
5. Ratio of rural nonagricultural income (X_4)					1.0000 (0.00)	0.9778 (0.0001)
6. Urban-rural population ratio (X_6)						1.0000 (0.00)

From the matrix of correlation between various indexes shown in Table 4, we can see that there are clear correlations between the amount of urban-rural income difference and the other indexes. In particular, the correlation coefficients with the binomial coefficient and agricultural-industrial product price scissors are greater than 0.7 ($P < 0.0015$), and there are definite negative correlations with the rural nonagricultural income ratio and the urban-rural population ratio. The negative correlation with the latter is particularly interesting; it shows that between 1978 and 1992, because the rural population was increasing faster than the urban population, the income difference widened. In addition, there are strong correlations between the binomial coefficient and the industrial-agricultural price scissors, the rural nonagricultural income ratio, and the urban-rural population ratio, which indicate an interactive mechanism between the two indices. We should pay particularly close attention to the strong negative correlation between the binomial coefficient and the rural population's nonagricultural income ratio. It was the sudden rise of township enterprises that accelerated the pace of urbanization (the correlation with the urban-rural population ratio was as high as 0.9779, $P < 0.0001$) and the pace of integrating the dual economic structure. This has an inestimable effect on reducing the urban-rural income difference.

2. Regression analysis:

To show that these factors can explain to a large extent the magnitude of income difference, we must turn to multiple regression analysis. We make the income difference, Y , a dependent variable; we make the binomial coefficient, the agricultural-industrial product price scissors, the ratio of urban hidden income, the ratio of rural nonagricultural income, and the ratio of urban-rural population independent variables in the regression equation. The result clearly shows that except for the urban population's nonmonetary income ratio, all other indices basically passed T-test. The entire model's F-score is 8.922, and the probability of the F-score being greater is 0.0027, which shows the regression is valid. The model's sum of squares of correlation coefficients (R^2) is 0.8327, which says 83.27 percent of the urban-rural income difference can be explained by the above five variables.

A partial regression of the above model lets us determine which factors are the main factors affecting the income difference. Theoretically, the first variable in the model is the main variable, and the partial regression shows the following: The sum of squares of the correlation coefficients (R^2) in the first partial regression is 0.5962, which says 59.62 percent of the urban-rural income difference can be explained by just one index, the binomial coefficient. Therefore, we have perfect assurance that China's urban-rural income difference is determined primarily by the dual economic structure that separates town and country. In the second partial regression, (R^2) is 0.7403, and 0.8074 in the third partial regression. It is not

difficult to figure out that the change in urban and rural populations can only explain 14.41 percent of the change in the income difference. Peasant nonagricultural income ratio explains 6.71 percent of the income gap; and the agricultural-industrial product price scissors and urban-rural [as published] hidden income ratio together explain 2.47 percent. It is worth asking why the agricultural-industrial product price scissors impact on the income gap is smaller than we first imagined. The reason is that the price scissors and the dual structure are colinear (see Table 4,) and the correlation coefficient between the dual structure and the price scissors is 0.93421 ($P < 0.0001$), so that the effects of the former is included in that of the latter, and this was exactly so in reality. Prior to 1985, the state raised the procurement of some agricultural products substantially and reduced the share of centralized procurement and marketing of agricultural and sideline products, thus reducing the countryside's contribution of accumulation to urban industry, and income available for distribution to the peasants and funding for rural economic development greatly increased. Seizing this opportunity, the peasants readjusted their production structure and developed township enterprises to increase total supply and raise the agricultural labor productivity rate. Meanwhile, the urban nonagricultural sector stuck to its old system and stalled. Thus, the smaller binomial coefficient caused the urban-rural income difference to shrink. But the restructuring of the economic system in urban areas gave impetus to rapid development of the industrial and other nonagricultural sectors; their relative labor productivity rate rose while agriculture's relative advantage declined. The marginal productivity of agricultural products dropped; the comparative labor productivity of agriculture increased at a slower pace than urban labor productivity, and as a result, the binomial coefficient once again increased. At the same time, the slow-down in actual increase in peasant income from township enterprises, and its increase as a share of their disposable income, also abetted the further widening of the income gap. But nevertheless, the most basic factor in the income gap is the dual economic structure.

To verify the impact of the dual structure on urban-rural income difference, we used figures from a cross-section of the nation's 30 provinces, municipalities, and autonomous regions in our correlation and regression analyses. The results show that the binomial coefficient explains 50.67 percent of the change in income difference at a significant level, clearly showing the strong impact of the dual economic structure. Development of township enterprises had a clear effect on reducing the income difference. In addition, the urban-rural population ratio had a positive effect on increasing the income difference.

In short, although there are many factors affecting the change in urban-rural income difference, the most basic is the dual economic structure of town versus country at a given level of economic development. The effects on urban-rural income difference of the state's investment,

distribution, and other general and specific policies aimed at promoting structural reform and economic development, like the impact of agricultural-industrial product price scissors, are ultimately included in the effects of the dual structure in the economic exchanges. Therefore, changes in the dual economic structure should be one of our main concerns. That structure is the product of a specific stage of economic development. It is upgraded as the levels of industrialization and urbanization rise, and eventually it will disappear as the process of industrialization is completed. In this evolutionary process, China has turned from a planned to a market economic system, and in particular, the successful evolution of rural production relations has accelerated the pace of industrialization. The Chinese peasants' creative development of township enterprises has important practical meaning and great historical significance in destroying the dual economic structure and reducing the urban-rural income difference.

IV. Consequences of the Changing Urban-Rural Income Difference

Up to now, most people believe that the widening of the income gap is not a good thing, because it goes against the nation's wealth-sharing policy. Given the condition of a widening urban-rural income gap, peasants have no productive enthusiasm, which causes the agricultural sector to shrink, and industries and other downstream sectors that depend on agricultural products for raw materials also will shrink. Society's total supply decreases as a result, and product prices rise. The result is social turmoil. Therefore, people want to narrow the income gap as much as possible. But we believe that this viewpoint at least fails to look at the whole picture. The consequences of an urban-rural income difference may not be as bad as some think.

We will discuss the consequences of the income difference under three situations:

1. If the income difference is smaller than necessary for a society whose industrialization has reached a certain stage, massive labor force will stay in agriculture for lack of employment opportunities, which undermines any increase in the rural labor productivity rate. On the other hand, young industries cannot mature because of the lack of cheap labor, and industrial production is forced to utilize productive means with high capital content, and given the inelastic wage rates in the cities, the cost of industrial production will increase, and the industrial-agricultural product price scissors will widen. Since agricultural growth fails to bring increased output, peasant income will decline or stall while city worker income may see relative increases for a limited period of time. The urban-rural income difference will increase, and if the government exerts outside pressure to limit the widening income gap and maintain the smaller income difference, peasant income will continue to decline or to grow slowly, which will reduce their purchasing power, and then urban industries will be underemployed or

shrink because of the market slump. Without the support of advanced industrial products, agricultural production can only sustain simple reproduction, and agricultural production will also stall. The even more serious consequence may be economic stagnation; society's total supply of goods will fall short; prices will rise, and society may turn out to be less stable. Thus, maintaining low-grade fairness may not be efficient, and things may even turn out to be worse.

2. If the income difference is forced to be adjusted to the ideal level needed by industrialization, some peasants may abandon agriculture and work in the nonagricultural sector or join the army of workers in urban industries in pursuit of industry's high income. The increased labor supply will allow the manufacturers to get the workers necessary for industrial growth at a relatively low price. Industrialization will accelerate, and industries will provide more goods and services. On the other hand, the remaining agricultural labor force can still make the most of the existing productive means, maintain a brisk investment fervor, optimize the allocation of factors of production, and promote agricultural growth. Industrial development will create markets for agriculture and provide reasonably priced capital goods. Agricultural growth will provide industry with ample raw materials and generate the purchasing power for industrial goods. As a result, as the economy grows, the income of people in the cities and the countryside will also increase; the urban-rural income difference may stabilize or increase at a higher level. Generally speaking, during the period of industrialization, the industrial labor productivity rate is higher than agricultural labor productivity, and the income of people in cities and towns tend to increase faster than that in the countryside; thus, the urban-rural income gap tends to widen. If the government can keep the widening income gap under control and continue to maintain a fairly ideal difference, in the long-run, the process of industrialization will accelerate, and the pace of agricultural modernization will also quicken; the dual economic structure of town-versus-country will disappear sooner, and this will also make the urban-rural income difference smaller or disappear.

3. If the income gap is larger than what is reasonable, the low-income class will not accept this reality, and some of the phenomena mentioned earlier in this part—lack of peasant productive enthusiasm and abandoning the countryside and fleeing to the cities and towns to join the army of reserve workers—will occur. The most direct impact of this is that many qualified workers will be enticed to leave the countryside. This situation will necessarily hamper rural development; agricultural production will shrink, and industrial materials provided by agriculture will decline; peasant income will drop and industrial goods purchasing power will shrink, so that industrial production will not get any of the economic benefits despite the ample supply of cheap labor. Industrial production will also shrink. The result of the economic slide is a shortage of goods which leads to soaring

prices and adds to social instability. If this situation persists, the large income gap will keep the huge outgoing rural labor force in a mobile and uncontrolled state. The inferiority complex, the feeling of jealousy, and the psychological problems many peasants experience when they first arrive in the cities will exert tremendous pressure on society. The consequence can be disastrous.

Clearly, too wide or too narrow an urban-rural income gap will not be conducive to economic development, social stability, or the realization of the wealth-sharing goal. The best choice is to maintain a difference that is compatible with the level of economic development, but the question is how large a gap is appropriate? It is difficult to say. On the one hand, there is always a certain amount of income difference in any society at any stage of economic development, and this income gap is affected by many factors and is constantly changing. On the other hand, because the relevant quantitative relationships are difficult to ascertain, it is difficult to balance the policy pros and cons. We will attempt to explain how we can determine the ideal income gap based on the theoretical analysis of the functional mechanisms and the concept of natural and unnatural differences discussed in Part III:

Here, our definition of ideal difference is the corresponding natural difference. The equation is based on the "World Model: A 44-Country Regression Equation." The 1978-1993 ideal difference is as indicated by the natural difference, Y_0 shown in Table 3. At the Y_0 level, the urban and rural economic systems are functioning at their best. If the unnatural difference, αY , is greater than or less than zero, the town and country economic systems are more or less playing a negative role. From 1978 to 1985, for reasons discussed earlier, the unnatural difference, αY narrowed, and the actual income difference, Y , approached Y_0 , and the result was there for all to see: Agricultural production set a record in 1984, and peasant income soared; the rural nonagricultural sector grew rapidly. The bumper harvest gave impetus to urban industrial development, and the prices of agriculture-based products stabilized, creating a new situation for urban structural reform and for the downstream industries to take off. Regrettably, the unnatural difference increased after 1985, and the actual difference strayed farther and farther away from the natural difference, with the result that, although both industry and agriculture developed, we paid a high price—inflationary pressure and its negative effects were examples. We can boldly speculate that if the actual income difference, Y , had been kept at or near Y_0 after 1985, our economic growth would have been even more effective. In this sense, the widening income gap between urban and rural residents after 1985 was unreasonable and should have been controlled.

V. Policy-Related Conclusions

1. China's urban-rural income difference is greater when computed based on internationally accepted comparable

income specifications than based on other income specifications. The change in actual income difference between 1980 and 1993 followed a U-shape curve; the income gap widened after 1985 and showed a tendency to continue to get worse.

2. The urban-rural income gap continued to widen after 1985, so that what had been unreasonable became even more unreasonable. Between 1978 and 1985, the rehabilitation of productive relations and economic development in the rural areas reduced the unreasonable urban-rural income gap to its lowest level in 1985. But by 1993, the unreasonable income gap has exceeded 50 percent. During this period, although the natural gap or reasonable gap consistent with the level of economic development at the time was also widening, the unnatural or unreasonable difference was widening faster. This situation should raise serious concern among the pertinent departments.

3. The basic factor that causes the urban-rural income gap to change is the dual, urban-rural, economic structure. Mobility between town and country, the natural change in urban-rural populations, and urbanization have a significant impact on changing the income difference. The government can control the industrial-agricultural product price scissors and bring about changes in the dual economic structure to indirectly determine the size of the income gap. The hidden income of city dwellers, which accounts for nearly 20 percent of their disposable income, has been declining since 1978, and its effect on the income difference is also on the decline. The vigorous development of township enterprises plays a pivotal role in accelerating industrialization, destroying the dual economic structure, and closing the urban-rural income gap in China.

4. Depending on whether the urban-rural income difference is more or less than what society needs at various stages of development, there can be three different functional mechanisms. An income difference greater than or smaller than what is reasonable can have negative consequences, and therefore too wide or too narrow a gap will not facilitate economic growth, social stability, or our wealth-sharing policy goal. If we assume that the natural difference in urban-rural income for the 1978-1992 period was ideal for that period, then it was the return of the income gap to the ideal size in the 1978-1985 period that brought rapid economic growth and social stability and laid the foundation for subsequent development. Since 1986, the increase in the unnatural difference has caused the actual income gap to widen and to become unreasonable, which has inevitably produced some negative consequences. We should promptly restore the natural difference.

5. With regard to measures to narrow the urban-rural income gap, economists have dispensed many "prescriptions," such as raising the procurement prices of agricultural products, vigorously developing township enterprises, and accelerating the shift of rural surplus labor.

These policies no doubt can have a positive effect on reducing the income difference, but the implementation of these policies must be coordinated with the overall plans of the country's reform and development and give consideration to eliminating the basis of increased income difference—the dual, urban-rural, economic structure; otherwise, it will be difficult to avoid a repeat of the 1978-1993 history when the income gap narrowed only to widen again. Thus, we suggest comprehensive reform and formulation of new policies. With regard to reform, first, we must change the existing household administration and labor employment systems and set up a unified urban-rural labor market and remove barriers between town and country. Second, we should reform the current benefits system for people in cities and towns and include their benefits and subsidies in the wage system. By changing the personal income structure, we can monetize and standardize personal income. With regard to government policies, we should vigorously develop township enterprises and increase nonagricultural peasant income; formulate agricultural protection policies and reduce the industrial-agricultural product price scissors; promote development of small cities and towns and accelerate the shift of the rural labor force; and continue to resolutely implement the family planning policy to control rural population increases.

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Finance & Banking

Power Industry Gets \$150M in International Loans

HK2903130195 Beijing CHINA DAILY in English 29 Mar 95 p 5

[By Ren Kan: "It's Looking Brighter for Power Trade"]

[FBIS Transcribed Text] China yesterday signed agreements in Beijing on two international syndicated loans totalling \$150 million to support its electricity industry.

The loans, under a partial guarantee of the World Bank, will be used to finance the construction of the Zhejiang power project, which aims to build up China's largest thermal power plant.

Of the two loans, \$50 million will be given in Japanese yen with the rest in U.S. dollars.

This is the second time the Ministry of Finance has borrowed international commercial loans on behalf of Chinese Government in the form of sovereign debt.

The first time was last year for the Yangzhou Power Plant which involved \$120 million loans, according to officials with the Ministry of Finance.

Yesterday's agreement signing indicated another successful cooperation with the international financial sector.

The deal should boost China's international financing activities and its co-operation with the World Bank.

Compared with the financing of the Yangzhou project, the international financial sector showed more support this time, according to the ministry.

Five banks from the United States, Japan and South Korea have been authorized by the Ministry of Finance to lead-manage the dollar syndicated loans.

They include the Bank of America, Fuji Bank, Daiwa Bank, Norinchukin Bank and Korea First Bank. The U.S. dollar loans also involved another six banks from the three countries.

Yasuda Fire and Marine Insurance Co was authorized to lead manage the Japanese yen loans which were also participated in by another two Japanese insurance companies and one bank.

Analysts say the international financial sector has strong confidence in China's economic growth.

The loans have a 15-year term which includes a five-year grace period. The interest rate for the U.S. dollar loans will be floated while the rate for the Japanese loans will be fixed.

The repayment of these loans will start from the sixth year. The World Bank will guarantee the repayment in the last four years.

The Zhejiang Power project plans to install three electricity generating units each with 600,000 kilowatt capacity in Beilun Harbour Power Plant.

The project also includes the construction of a 500,000 volt electricity transmission network and restructuring of electricity grids in Hangzhou and Ningbo.

The project is expected to involve a total investment of 15.3 billion yuan (\$1.8 billion). Of the total investment, \$550 million will rely on overseas funds including \$400 million from the World Bank.

The Beilun Harbour Power Plant, which has already installed two electricity generating units, each with 600,000 kilowatt capacity, will become the country's largest thermal power plant.

Experts say it will greatly ease the electricity shortage in East China—the most economically advanced area in the country.

U.S. Software Company Signs Contract With Firms

OW2903140495 Beijing XINHUA in English 1351
GMT 29 Mar 95

[FBIS Transcribed Text] Beijing, March 29 (XINHUA)—System Software Associates, Inc. (SSA) today signed two contracts with two large Chinese industrial companies for a total business volume of more than one million U.S. dollars.

SSA will provide two sets of BPCS software for the Hong Guang Industrial Company in Sichuan Province and the Shanghai Gear Company in Shanghai.

BPCS is a comprehensive set of integrated applications which address the system needs of industrial enterprises acting on a global scale.

So far, Chicago-based SSA is helping over 200 Chinese businesses upgrade their management with its software, supplying 80 percent of the Chinese software market in the manufacturing.

Chinese Vice-premier Wu Bangguo met SSA's president Terry Osborne yesterday and said that he hopes that SSA will further cooperate with China's larger and more successful enterprises.

Osborne said that he is fully confident about his firm's business in China after the meeting, and predicted that China will become one of the largest manufacturing centers in the world.

He said his company will invest more in this potential market and set up relations with more Chinese enterprises, to take advantage of the world's most rapid economic growth.

What is more, SSA will push cooperation with Chinese universities including Qinghua University and Shanghai Jiaotong University.

Computer Network Company Sets Up Shanghai Office

OW2903152795 Beijing XINHUA in English 1421
GMT 29 Mar 95

[FBIS Transcribed Text] Shanghai, March 29 (XINHUA)—The American 3 Com Asia Ltd. today announced that it has set up an office in Shanghai, China's biggest industrial center.

This will be the second office the company has opened in China, after the one in Beijing, set up in May, 1994.

The establishment of the Shanghai Office will enable the company to provide better distribution and service of computer data networks in the area, Roy Johnson, president of the company said at the opening ceremony.

In August, 1994, the company donated over 100,000 U.S. dollars worth of high-tech equipment to a Shanghai-based network display center, he said.

Johnson said that his company is quite confident in China's computer market and is actively investing more in the country to step up the development of its domestic network technology.

The company mainly sells computer data network systems, providing the users with the latest technology and products, he explained.

The company is a pioneer in the computer network industry, and is the first foreign company in this field in China.

So far, 3 Com's products have found wide application in many Chinese governmental institutions, enterprises, and banks, including the stock exchanges in Shanghai and Shenzhen and the Shanghai Baoshan Iron and Steel Company.

State Council Approves Large Steel Plant for Sichuan*OW2903153495 Beijing XINHUA in English 1509 GMT 29 Mar 95*

[FBIS Transcribed Text] Chengdu, March 29 (XINHUA)—The State Council has approved the building of a large-scale plant for producing special kinds of steel, with an investment of 2.08 billion yuan (244.7 million U.S. dollars), in southwest China's Sichuan Province.

This is to be an expansion project based on the Sichuan Changcheng Special Steel Plant, one of the three producers of special steel in China. The plant will be the biggest producer of special steel, turning out one million tons of carbon steel, steel alloy, spring steel, and other types each year.

The first phase of the smelting system will begin construction in September this year and be completed in September of 1997. The second phase of the rolling system will be started in 1996 and finished in 1998.

The advanced and highly efficient smelting and rolling equipment will require a matter of hours, instead of the present minimum of several months, to turn waste steel into finished material.

French and Italian businessmen will provide 26.5 million U.S. dollars in loans for purchasing necessary equipment.

Country Rapidly Increasing Exports of Hardware*OW3003042695 Beijing XINHUA in English 0416 GMT 30 Mar 95*

[FBIS Transcribed Text] Beijing, March 30 (XINHUA)—China is increasing the export of hardware as production in this sector is growing fast.

Last year, the export volume of metal hardware exceeded three billion U.S. dollars, which accounts for one third of the total national export volume.

In order to further promote the export of hardware, the China Council for the promotion of International Trade and the China Hardware Association will jointly sponsor an international hardware exhibition next June.

As the construction boom in the past decade has constantly pushed up demand for hardware building materials, the sector, which was mainly composed of small enterprises in the past, has undergone remarkable expansion in recent years.

Now the country has over 7,000 such enterprises employing 900,000 workers, with the annual output value reaching 30 billion yuan (3.53 billion U.S. dollars).

Experts say that because of its labor-intensive feature, hardware production in developed countries is

declining. However, with low prices, the Chinese hardware products will continue to be highlight competitive on international market.

China Undecided on Participation in Geneva WTO Talks*HK3003064795 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 30 Mar 95 p 3*

[By Amy Chew]

[FBIS Transcribed Text] China has yet to decide whether it will take part in talks on its accession to the World Trade Organisation (WTO), Secretary of Trade and Industry Brian Chau Tak-hay said yesterday. Mr Chau has just returned from China, where he met Chinese officials in Dalian and Beijing, including vice-minister of foreign trade Gu Yong-jiang. Mr Chau said: "China has not indicated that it is prepared to attend the meetings of the working party on China's WTO membership in Geneva in April."

China had not reacted to suggestions from the chairman of the working party that talks should resume in April. "Mr Gu said the ball is in the court of developed countries," said Mr Chau. "This is because in December last year, during the final stage of negotiations, China had already laid all its cards on the table and said it was not going to make further concessions. Unless other members of WTO are prepared to allow China resume membership to WTO on the basis China has so far agreed to concede, the prospects for resumption will be rather uncertain. Mr Gu said China was always prepared to negotiate but it was up to other WTO members to accommodate China."

On the expressions of support for China's membership by US Trade Representative Mickey Kantor, China said the US has made such promises before. "Mr Gu said it was now up to the US to back its words with action," said Mr Chau. Mr Chau reiterated Hong Kong's support for China's membership.

Mr Chau also said that Chinese customs officials would be given more power to stop the flow of pirated compact discs and computer software from leaving the country. "The State Council of the Chinese Government will be promulgating a law conferring on Chinese customs the authority to stop the exports of pirated CDs and computer software from leaving China," said Mr Chau. The new law would also seek to stop the production of pirated goods within China.

"This new authority, if implemented strictly and successfully, will be of assistance to Hong Kong's own law enforcement. If the illegal CDs and computer software can be stopped at source, then fewer of them will come to Hong Kong and fewer of them will be sold on the streets of Hong Kong," he said.

The promulgation of the new law is in line with the provisions of the intellectual property rights (IPR) agreement which the United States and China signed recently after months of negotiations which brought both countries to the brink of a trade war. The IPR agreement also includes spot checks to be conducted on factories suspected of producing pirated CDs. A special enforcement period is expected to be held from March 1 which will run for six months. All intellectual property enforcement agencies in China have been ordered to step up their efforts.

Hong Kong is believed to be one of the largest markets for pirated CDs from China. Mr Chau said his visit to China was to establish better rapport with the Chinese Government as well as understand the workings of the mainland authorities. Mr Chau said Chinese officials noted the Hong Kong and Chinese economies were becoming more and more interdependent and brought benefits to both countries. The co-operation will continue to benefit both.

Issues which were discussed included China's Most Favoured Nation status in the US.

Customs Gets New Antipiracy Powers

HK3003064995 Hong Kong *EASTERN EXPRESS* in English 30 Mar 95 p 26

[By Sara French]

[FBIS Transcribed Excerpt] China's Customs authorities will soon be given the power to halt production of pirated goods in addition to seizing them at the border, Hong Kong's top trade official says. Returning yesterday from a 10-day trip to Dalian and Beijing, TH Chau, the territory's Secretary for Trade and Industry, said that China's State Council would soon promulgate a law allowing mainland Customs officials to stop production of counterfeit goods at plants in China. "This new authority of the Chinese Customs, if implemented strictly and successfully, will be of assistance to our Hong Kong Customs own law-enforcement efforts," he said. "If we can stop the illegal CDs (compact discs) and software at the source, then fewer of them will be coming into Hong Kong and fewer of them will be sold on the streets of Hong Kong," he said.

Staunching the flow of fake CDs from China will be a tall order. Prior to last month's Sino-United States agreement on protection of intellectual-property rights, US officials said factories in southern China were churning out 75 million illegal CDs annually. Several pirate plants have since been closed, but wire services have reported that a flood of counterfeit CDs continues to flow on to Chinese streets as producers and distributors unload stocks. Hong Kong's Customs and Excise Commissioner, Don Watson has confirmed the same state in the territory.

The International Intellectual Property Alliance has estimated 1994 trade losses to legitimate copyright holders

due to mainland piracy of records and music at US\$345m [million] (about HK\$2.7bn [billion]). Software piracy was even more costly, resulting in losses of US\$351m. [passage omitted]

Illegal Software Production Continues Despite Enforcement

HK3003065195 Hong Kong *HONGKONG STANDARD (PC MARKET)* No. 58 in English 30 Mar 95 p 3

[By Gareth Powell]

[FBIS Transcribed Text] In China the illegal production of CD-Roms continues effectively unabated. First the United States government threatened the Chinese government, which closed two factories out of 27—most of them government-owned.

Last week I was in both Hong Kong and Beijing to compare the effects and the trade was in full spate. In Hong Kong I could have bought any CD-Rom you care to think of, for \$HK150 (but make me an offer), in the Golden Supermarket in Sham Shui Po. And in the Zhong Guan Gun computer centre near Beijing University I could buy pretty much anything I liked. Note that this was during the "special enforcement period" of the US-Chinese government pact.

Most of the pirated software came from government-owned factories and if they are closing down it is not apparent by the stock on sale. Cloudy Sky Software Data Exchange Centre offers a "super value" CD-Rom for 188 yuan (\$HK172) that has 650Mb of software from Microsoft, Lotus and the rest with a retail value in excess of \$HK100,000. Cloudy Sky wraps each copy with a circular reading: "Protect intellectual property rights. New measures take effect soon so stock up now. Once the last bus leaves it's a great opportunity lost."

RENMIN RIBAO Interviews IPR Expert

HK2903145295 Beijing *RENMIN RIBAO OVERSEAS EDITION* in Chinese 27 Mar 95 p 3

["IPR in China" column by Zhou Bo (0719 3134): "Even the Mountains Cannot Block the Water From Flowing Eastward—An Interview on the IPR Situation in China"]

[FBIS Translated Text] [Editor's note]: Guo Shoukang [6753 1108 1660] is professor of law at the People's University of China, and a well-known intellectual property rights [IPR] expert in the international community. From 1979 to now, he has participated in the work of drafting a number of IPR laws for our country and, as an adviser to the Ministry of Foreign Trade and Economic Cooperation, he took part in the initial phase of the Sino-U.S. IPR talks. His main works include "International Copyright Law and Practice," and "International Copyright and Neighboring Rights." Concerning some questions on the current IPR situation in China and on the Sino-U.S. IPR talks, this newspaper recently asked

Comrade Zhou Bo to conduct an interview with Professor Guo Shoukang and the following is a record of their conversation: [end editor's note]

[Zhou] What is your opinion on the implementation of IPR protection in our country?

[Guo] According to my experience, people have two kinds of misunderstandings on the implementation of IPR protection measures in our country. Quite a number of people in the international community think: This is a result of international pressure and only by exerting pressure can China's IPR situation be improved. The other misunderstanding comes from within the country: Some people feel this is a kind of thing to deal with the foreigners. In fact, implementation of IPR protection is an urgent need under the circumstances of reform and opening up of our country.

In the early 1980's, that is, in the early period of the reform, "passing on the method and delivering treasure" was prevalent in society, so was handing over scientific and technological research results to the state and the use of them gratis, thus, the reform was greatly obstructed. This hindered upgrading the level of productive forces and failed to meet the socialist principle of "distribution according to labor." Because people did not know how to protect IPR, many unnecessary troubles emerged.

First, in the course of opening up, we have unintentionally infringed upon patents held by other countries. Our country produced a kind of aqueous gel and its power, performance, cost, and safety were very good. A contract was signed with a Hong Kong company, and after mass production the gels were loaded on a ship to go. The U.S. Dupont Company suddenly announced it had already applied for patent for the product in Hong Kong and that, if the goods arrived in Hong Kong, it would pursue a lawsuit against China. This incident caused great economic losses to the Chinese side.

In addition, because we did not know about IPR protection, our own inventions and creations could also be utilized by other countries. The new variety of hybrid paddy rice cultivated by Yuan Longping, a well-known paddy rice expert in our country, has been imported into the United States by the U.S. Hammel Company, which has scored very good results in trial growing, the output of paddy rice has greatly increased and the variety has been promoted in the country. Among the 52 patented technologies for cultivating the new variety, 50 have already been made public in various kinds of exchange activities, lectures, and documents. In 1992, Yuan Longping's scientific research institute was facing a very difficult financial situation and the patented technologies had failed to bring wealth to the scientists—wealth which they deserved.

Practice proves that due to the reform and opening up, there is a need to protect IPR. This is urgently required by the building of socialism with Chinese characteristics.

[Zhou] How would you view the current situation of IPR protection in our country?

[Guo] In the past 10 years or so, our country's IPR legislation system has taken shape. Britain, the United States, Japan, and other developed countries have already gone through a development process of 200 to 300 years in the area of IPR protection and their systems are a result of continuous development and improvement. Whereas in our country, in a decade or so, we have promulgated the "Trademark Law," "Patent Law," "Copyright Protection Law," "Law Against Unfair Competition," and the "Computer Software Protection Law." We have also been serious and earnest in the course of legislation, extensively soliciting opinions from various quarters and carrying out six nationwide surveys among other surveys. Arpad Bogsch, director general of the World Intellectual Property Organization, once said: "China's patent law not only consists of the correct methods for tackling substantive and procedural problems but is also drafted with clarity and its use of words is very succinct," and "the solution plan selected by the patent law gathers the most wise and commonly used plans in contemporary times." Dr. Hoelscher, head of the German Patents Bureau, commented in the following way: "As far as the width of its application is concerned, China's patent law is a landmark of this century and the unremitting efforts by the Chinese authorities have produced an admirable organizational patent law." At present, the most important problem in IPR protection in our country is the problem of law enforcement and there are some aspects which are very serious. For example, the lawsuits involving IPR often end with symbolic compensation and this will eventually hinder economic development. We must strictly abide by the ultimate purpose of legislation and use legislation to protect and promote scientific, technological, and cultural prosperity. In addition, we must attach importance to the work of arousing people's awareness of IPR protection and give certain preferential treatment to those who attach importance to IPR protection.

[Zhou] Not long ago, China and the United States formally signed the agreement on IPR, thus avoiding a trade war. What is your view on this matter?

[Guo] I welcome the outcome, which can be regarded as a new turning point in Sino-U.S. trade cooperation. No matter whether in terms of style or content, the agreement is better than I expected.

During the Sino-U.S. negotiations, we have always upheld our own principle: Safeguard the country's sovereignty and exclude nontrading factors. Based on this principle, and through consultation, the result obtained is acceptable to both sides. I think this is the main reason the two sides eventually reached an agreement.

[Zhou] On 12 March, Wu Yi, minister of foreign trade and economic cooperation, and U.S. Trade Representative Mickey Kantor said in their speeches that consensus had been reached on China's reentry to GATT and on

China's bid to become a founding member of the World Trade Organization [WTO]. In your opinion, does this imply that from now on the IPR issue will no longer be a key point in Sino-U.S. talks?

[Guo] Yes. In my opinion, the future Sino-U.S. talks should shift to the issue of reentry to GATT. But this does not mean that our country will no longer consider the issue of IPR protection. We have to implement the contents stipulated by the agreement. To us, there is the need to improve and perfect the system of IPR laws, step by step. For example, the regulations on the design of integrated circuits and the protection of animals and plants must be formulated, one by one. But what is more important is the issue of law enforcement and we really have to be able to "have law to abide, abide by law when there is law, enforce law strictly, and pursue responsibility when law is broken."

IPR protection is a problem closely related to our own interests; it requires a long process and awaits hard work to be done by us.

Shanghai To Use Foreign Funds in Profitable Sectors

OW2903163395 Beijing XINHUA in English 1626 GMT 29 Mar 95

[FBIS Transcribed Text] Shanghai, March 29 (XINHUA)—China's economic and financial center will divert large sums of incoming foreign funds to major profit-making sectors this year, sources from the local government say.

The city government plans to "make full and better use of foreign funds to give a push to banking, industrial development, the service sector, real estate, and agriculture," according to a municipal conference on using foreign funds which opened today.

The city plans to attract more multinational companies, foreign banks, and other financial institutions to the Pudong New Area, Shanghai's most attractive place for foreign investors.

Foreign investors are encouraged to put money into industry, particularly in developing and producing computers, bioengineering products, and electromechanical products.

The city is also putting stress on cooperation between multinationals and the booming service businesses, such as retail stores and finance.

Real estate, which commanded 40 percent of the city's total in foreign funds last year, will remain open to foreign investors. The foreign capital will mainly be used to provide relief for those living in old or dilapidated houses, according to the conference.

The plan lists agriculture as one sector that will enjoy priority in the use of the funds, for developing export-oriented agricultural products and in the food-processing industry.

Shanghai's suburban districts have been asked to inject more foreign capital into rural businesses, which also play an important role in the city's development.

Last year, Shanghai approved a record 3,802 foreign-funded projects, involving 10 billion U.S. dollars in contracted foreign funds.

The municipal government has promised to create a better environment for the investors', and expects to attract more capital, according to the conference.

Shanghai To Ban Joint Ventures With Funding Problems

OW2903163495 Beijing XINHUA in English 1621 GMT 29 Mar 95

[FBIS Transcribed Text] Shanghai, March 29 (XINHUA)—Shanghai, China's biggest industrial and commercial center, is to ban foreign-funded joint ventures whose funding is not in order on time, a local foreign investment official announced today.

Yang Zhihua, who is in charge of the department of foreign investment, said that it is essential for any foreign-funded joint venture in Shanghai to be certain that capital specified in the contract is present if they want begin operation.

He said that Shanghai has approved more than 11,200 foreign-funded projects, attracting over 24.8 billion U.S. dollars' worth of contracted foreign capital.

To date, half of these companies have become operational, with funds topping 8.5 billion U.S. dollars, he added.

The municipal government has decided to tighten the management of those companies now operating and to focus its efforts on seeing that their capital is in place.

For those companies which have begun operation, the city will help the Chinese partners get the necessary loans through banks and other means, the official said.

Harbin-Built Yun-12 Airplane Receives FAA Certificate

OW3003062195 Beijing XINHUA in English 0548 GMT 30 Mar 95

[FBIS Transcribed Text] Harbin, March 30 (XINHUA)—The Yun-12, a type of plane produced by the Harbin Airplane Manufacturing Corporation in this capital of northeast China's Heilongjiang Province, won an aviation certificate from the Federal Aviation Administration (FAA) of the United States last week.

It is the first such certificate China has ever received, and it paves the way for the Yun-12 plane to make inroads into the aviation market of the developed countries.

The certificate was issued after FAA test pilots and aviation engineers examined the aircraft's performance.

The U.S. Federal Aviation Administration and the Civil Aviation Administration (CAA) of Britain are the two most authoritative institutions in the world for examining airplanes, experts told XINHUA.

The Harbin Airplane Manufacturing Corporation, one of the pillars of China's aviation industry, received a CAA certificate in June 1990.

Agriculture

Vice Premier Jiang Chunyun on Agriculture

HK2903130395 Hong Kong WEN WEI PO in Chinese
22 Mar 95 pp a2, a3

["Special interview" dispatched by WEN WEI PO reporting team: "Jiang Chunyun on Orientation of China's Agriculture—Full Text of Exclusive Interview Given to WEN WEI PO"]

[FBIS Translated Text] Beijing, 21 Mar (WEN WEI PO)—Jiang Chunyun, member of the CPC Central Committee Political Bureau, member of the Secretariat, and State Council vice premier, granted an exclusive interview to reporters from this newspaper, commenting on China's agricultural reform and development.

The reporters put to Vice Premier Jiang many questions, including how to put into practice the 10 measures for developing the rural economy in a comprehensive way advanced by Premier Li Peng in his Government Work Report; how to get a deeper understanding of agriculture; how to bring into full play the enthusiasm of peasants and all levels of leadership; how to energetically guide peasants toward the market; how to protect peasants' interest and lighten their burden; how to increase input into agriculture; how to prevent farmland being diminished; how to invigorate agriculture by applying scientific and technological achievements; and how to support poor areas. Vice Premier Jiang answered the questions one by one. His remarks were as follows.

China's Agriculture Is Full of Promise

The National People's Congress [NPC] decided to appoint me as vice premier. I feel deeply that the appointment is a grave responsibility for me, because China is a big agricultural country with a huge population, and agriculture concerns the overall interests of reform, development, and stability. Invigorating agriculture represents a very difficult and important task. I have in my mind a strong sense of responsibility and mission. Since it is a grave responsibility, I feel pressure in my mind and a heavy load on my shoulders. Whether we can invigorate China's agriculture is a matter of nationwide and worldwide concern. Under the guidance of the party Central Committee and the State Council, with the supervision and support of the NPC, and relying upon the concerted efforts of all levels of cadres and the broad masses of the people, I will try my best to make a success of the task.

In his report, Premier Li Peng has clearly defined the objective, task, policy, and measures for agricultural development. I will concentrate on putting them into practice as required.

The party Central Committee and the State Council pay great attention to agriculture. General Secretary Jiang and Premier Li have on many occasions profoundly expounded the importance of speeding up agricultural development as well as the principle, policy, and path we must follow. The present task is how to implement them and achieve actual results.

The task for this year is to wrest a bumper harvest in agriculture, increasing both production and income, and achieving steady growth in agricultural produce. Last year we produced 890 billion jin of grain and this year we will increase the output to 910 billion jin and also increase cotton and oil outputs to ensure the supply of essential agricultural products. In the meantime, we will develop a diversified economy to increase peasants' income. In 2000, the grain output will have increased 100 billion jin over the present figure and the peasants will lead a comparatively comfortable life.

Some experts in foreign countries have asked: With its population on the increase and its arable land on the decline, can China provide sufficient food for its people on its own in the coming period? This is really a problem worth consideration. Our farmland decreases by 5 to 6 million mu and our population increases by 14 million each year. If things continue in this way, our population will increase 25 percent to 1.6 billion by 2030, while our farmland will continue to diminish. Given this situation, can we still manage to solve the problem of providing enough food for our people on our own? For China, a country with a huge population, it is impractical to rely on foreign countries to solve our food problem, because foreign countries have the same problems, namely, an increasing population and decreasing farmland, and can provide only limited grain. Basically, we must rely on our own efforts to solve our own problem. An analysis made by experts indicates China is likely to solve the food problem by relying on its own efforts. The reasons are as follows.

1. According to statistics, China now has 1.6 billion mu, 1.8 billion mu in real terms [as published], of farmland, of which two-thirds is mid- or low-yield land, the output of which is much lower than that of high-yield land. If we transform the mid- and low-yield land by applying advanced technology, we can raise production by 50 percent. By advanced technology we mean the applied technology available at present. Production will go up further if more advanced biological engineering technology is applied in the future.
2. China has another 500 million mu of reclaimable wasteland, which can be transformed into farmland, mostly in northeast China, northwest China, and the Huang He and Huai He Deltas, with a smaller amount in

the middle and lower reaches of the Chang Jiang. Naturally it takes longer to reclaim wasteland and requires investment, but it is our reserve resource.

3. China also has another 2 billion mu of barren hills, beaches, slopes, and gullies, greater in extent than the existing farmland, which can be transformed. We are unlikely to grow grain there, but we can grow fruit trees, medicinal herbs, and other cash crops.

4. Again, China has 400 million mu of grassland, which can be reclaimed for developing husbandry.

5. In addition, China has 4.8 million square km of maritime area, where we can develop fish-farming and fishery or engage in other maritime undertakings.

Hence, if we concentrate on exploiting our territorial resources, we can greatly increase the supply of agricultural and sideline products, not only providing food for an additional 400 million people, but also improving the quality of essential products. Of course, providing 1.6 billion people with enough food is a long-term strategic task which requires the efforts of several generations. I will work hard together with the comrades working on the agricultural front to lay a foundation for future generations. Since the founding of New China, the Chinese Government has managed to feed its people, who account for 22 percent of the world's population, by making use of its farmland, which constitutes only 7 percent of the world's total. This is a miracle. Among developing countries, China has solved the agricultural problem comparatively well. Though we still have great difficulty in store in invigorating agriculture and the situation brooks no optimism, China's agriculture is full of promise if everyone works hard, is concerned about agriculture, supports agriculture, and attaches great importance to agriculture.

Jiang Chunyun expressed the following views on invigorating China's agriculture.

Getting a Deeper Understanding of Agriculture

The key lies in what approach we adopt to agriculture, whether we attach importance to it, and what position we put it in. Whether we can effect an upswing in agriculture to meet the needs of economic and social development will be determined by the leadership and their understanding. General Secretary Jiang has said many times that it is necessary to assess agriculture in terms of the overall interests of development. Agriculture serves as the foundation of the national economy and society; without agriculture, there would be nothing left. The present situation is that the development of agriculture is held up compared with that of the secondary and tertiary industries. Over many years past, the secondary and tertiary industries have grown rapidly while agriculture has grown slowly. At present the ratio between industrial and agricultural growth rates is five to one, that is, as agriculture grows by 100 percent, industry grows by 500 percent. The normal ratio should be 2.5 to

one. Our industry is like a long leg while our agriculture is like a short one, so they cannot walk in a coordinated way.

Our past experience has proved that whenever agriculture grows, the economy as a whole will grow continuously, and that whenever something goes wrong with agriculture, the economy will suffer a setback. Therefore the central authorities called for putting agriculture in first place in our economic work, regarding agriculture as a major issue. The central authorities have insisted that success in agricultural work, that is, success in giving the peasants enough food, should become an important criterion for appraising the work results of leading cadres at all levels. The leader who fails to invigorate agriculture cannot be regarded as a qualified leader. Over the last few years, some localities have ignored or relaxed on agricultural production. Instead, they have only cared about rapid economic growth, focusing on those undertakings which could bring quick and big profits. Since agriculture could not bring quick and big profits, it has been ignored. If we make success in agricultural work the primary criterion for judging the performance of a cadre, in other words, if a leader is not regarded as being qualified because of his failure to make agricultural work a success, despite the rapid economic growth he has achieved, every cadre will be encouraged to give priority to agriculture and to boost it. If we can deepen our cadres' understanding of the importance of agriculture and set the criterion for judging their work results, we will ensure that cadres concentrate their energy on agriculture.

It Is Necessary To Bring Into Play the Enthusiasm of Leading Cadres at All Levels and of Peasants

Agricultural and rural economic development hinges on the enthusiastic work of all levels of cadres and of the large numbers of peasants. It should be pointed out that since we introduced the contract responsibility system on a household basis with remuneration linked to output, peasants have displayed greater and greater enthusiasm, with the rural reform proceeding in depth. However, new problems and contradictions have cropped up in the present process of developing a socialist market economy, and they should be solved through deepening reform.

The first issue is that while the party's basic policy toward the countryside will clearly remain unchanged for a long time, we should take the initiative in doing a good job in renewing the land contracts, which will expire in turn. Some places have extended the term for contracting cultivated land by about 30 years and continued to follow the existing policy, so the peasants feel "reassured." In the meantime, we should continue to improve the responsibility system, because great changes have taken place in the last 15 years. For instance, many peasants have gone into the secondary and tertiary industries and there have also been increases or decreases in population. Therefore, in extending contract terms, we should address the problem of the compensated transfer of land-use rights, including the

transfer of contracts and leasing of land-use rights. Since flexibility was allowed in land-use rights, land has become relatively concentrated, and operations adapted to economies of scale have developed.

The second problem concerns the need to give play to dual-level management. With the development of the township enterprise and the collective economy in rural areas and with the upgrading of collective operation, it is necessary to provide more effectively for peasants various services, including tilling, irrigating, harvesting, transporting, processing, and marketing.

The third problem is that the sale and purchase system for grain and cotton should be reformed. Last year the State Council decided to raise the state-fixed price for public grain; made it a rule that the task of purchasing grain under contract must be fulfilled; and allowed peasants to sell their surplus grain at a negotiated price which goes up and down according to market need. A negotiated price is higher than the price for purchasing grain under contract. "While the price for a part of peasants' grain is fixed, the price for another part is flexible." This practice is welcomed by peasants. Last year cotton came under unified pricing, purchase, and dispatch. This year we will hold the governor firmly responsible for giving enough food to the people in his province. To achieve this, the governor must ensure that farmland is not diminished; that grain production grows; that enough grain is reserved; and that risk funds for grain production are established. He is not allowed to ask the central government for help when his province runs short of grain. This will greatly arouse the local government's enthusiasm for growing grain. We will also raise the cotton price and improve the measures for purchasing and selling cotton this year to encourage peasants to grow more and better cotton.

Vigorously Guide Peasants to the Market

How to guide peasants to the market also constitutes a major problem for reform. Some places have made explorations in this respect. There should be a bridge, or a bond, between tens of thousands of scattered peasant households and the domestic and international markets. To this end, it appears the most effective method is to develop integrated management of industry, agriculture, and trade and to make growing, breeding, processing, and marketing a coordinate process. The county or township enterprises, which serve as the dragon head, should take the lead in establishing direct ties with the market and there should be production bases between the market and peasant households. Such a pattern, which is known as "company and production base plus peasant household" in some places and which conforms to China's actual conditions, has proved very useful. The pattern can be applied to all agricultural products whose production is on a relatively big scale. Under the pattern, peasants do not have to go to the market, but rather concentrate on production. By means of this pattern, we are trying to industrialize, increase the scale of, and

modernize agricultural production. This is a path with Chinese characteristics we should take in developing agriculture. To help peasants enter the market, all levels of governments and economic units have built up many wholesale markets and country markets. At the same time, they have helped peasants gain access to market information so that they could correctly decide the variety and quantity of the crops they should grow, thus ceasing to act blindly.

Regarding how to integrate the contract responsibility system on a household basis with remuneration linked to output, dual management that combines unified and independent operations, and operations adapted to economies of scale into a complete system, I think the contract responsibility system as a basic policy should remain unchanged for a long time. Because peasants have a very strong attachment to the land, the system should remain stable for a long time. However, with the development of the rural economy, more and more peasants going into secondary and tertiary industries, and less and less labor available for agricultural production, it is necessary for us, relatively speaking, to concentrate arable land. In coastal areas, various forms of operation adapted to economies of scale, such as the family-run farm, the agricultural workshop, the cooperative entity, and the big farming and raising household, have made much headway, greatly raising the productivity of agricultural labor and of the land. Of course, we should introduce farmland-related operations adapted to economies of scale step by step, subject to necessary conditions and peasants' willingness. We must not impose the practice against peasants' will.

Upgrading dual management to the collective level, in my view, should be realized through providing socialized services. With the development of the collective economy, we should provide peasants with a complete set of services. In some places which have made greater progress in this respect, a socialized service system has been established to do two-thirds of farm work, thus greatly reducing the intensity of peasants' labor. Of the 400 million peasants, 120 million have turned to secondary and tertiary industries. With greater and greater progress in agricultural modernization in the future, the agricultural-industrial-trade complex and the economic entities providing socialized services will grow a great deal and this will become a general tendency in China's rural economy. This will also give expression to agricultural modernization, because to integrate agriculture, industry, and trade we must introduce advanced management and technologies to produce advanced products for big markets at home and abroad. This will help traditional agriculture go over to modern agriculture at a greater pace. Facts have shown that those localities which have taken this path have succeeded in raising their economic efficiency by a big margin and bringing a new look to rural areas. This is because it is necessary to build infrastructural projects such as transportation, telecommunications, and electricity supply before the integration of agriculture, industry, and trade can be

achieved. This will accelerate the construction of small towns, bring about a change in people's ideology, and help foster a new social climate.

Naturally, it takes a long time to achieve agricultural modernization. We should not seek quick results, but rather vigorously and prudently promote the work.

On Protecting Peasants' Interests and Lightening Their Burden

The party Central Committee and the State Council have paid great attention to this problem and have, especially in the last two years, taken a series of measures, including introducing legislation and regulations, to limit peasants' contributions to no more than 5 percent of their income. A survey revealed that the situation in this respect had been markedly improved after the measures were put into practice. But the problem will not be thoroughly solved after being addressed once or twice, and relapses are sometimes inevitable. Many trades and professions tend to impose unjustified financial levies on peasants in their immediate interests and for their own development. Such practices are not allowed. In general, the peasants' burden has been lightened.

The malpractice of handing out white slips as IOUs to peasants as payment for their agricultural products has been basically done away with. Peasants have no more complaints and are quite satisfied with the result. The banks have contributed much to solving this problem.

To protect peasants' interests, it is necessary to enact laws. Certain laws and regulations are available now and they will be improved in the future. Apart from state laws, various localities are allowed to enact legislation in light of their local conditions. In my view, peasants' interests are cut into by the intermediate links as well as by their burden. A large portion of their interests is lost in the intermediate links. Peasants sell many kinds of farm produce at a low price, but the price goes up sharply in the marketplace, so the profit for the intermediate links is in no way lower than that for the peasants. We are planning to bring market order out of chaos. No exorbitant profits and jacking-up of prices will be allowed. Reasonable charges and profits will be fixed and those who create higher charges and profits will be punished. In this way we can protect the interests of both peasants and consumers. To effectively protect peasants' interests, we should first, ban arbitrary charges, and second, straighten out the circulation order. In addition, the state has paid attention to the price scissors between industrial and agricultural products and has raised agricultural prices.

What is more, the rapid rise in the prices of the means of agricultural production, such as chemical fertilizers, pesticides, and plastic film, has aroused resentment among peasants. We should guarantee the quality of these materials and stabilize their prices in the peasants' interests. We have taken measures to improve the situation.

In short, to protect peasants' interests, we should address problems in many fields, including lightening their burden, stabilizing the prices of the means of agricultural production, and straightening out the intermediate links. On the basis of investigations and studies, we should formulate various laws, regulations, and measures. Governments at all levels are making efforts in this direction to achieve substantial results.

On Increasing Agricultural Investment

The basic reason for the stagnation of China's agriculture lies in insufficient agricultural input, which results in a lack of staying power. The total amount of agricultural investment goes up every year, but the proportion of the state's total investment in capital construction which goes to farmland capital construction has been on the decline, dropping to 2.5 percent last year. Quite a lot of water conservancy projects have long been in need of repair due to insufficient input. Last year's disasters, for example, caused losses of 130 billion yuan. Shortages of funds have also held up agricultural development and scientific progress.

The state regards increasing agricultural input as a major measure for strengthening agriculture and has made it a rule that inputs into agriculture funded by financial expenditure and bank credit must be higher than its average growth rate [as published]. General Secretary Jiang has said recently on many occasions that it is necessary to provide much-needed funds for agriculture even at the expense of several industrial projects. We are planning to adjust the investment pattern.

Our investment has concentrated on secondary and tertiary industries, which enjoy higher economic efficiency. The low economic efficiency of agriculture has resulted in a so-called "turn to non-agricultural trades from agriculture," with funds, materials, land, qualified personnel, and technology all flowing into secondary and tertiary industries.

To solve this problem, we must help the leadership deepen their understanding so that they will support, strengthen, and protect agriculture by making policy decisions, exercising macrocontrol, and taking administrative measures in favor of agriculture. We have currently launched too many luxury projects. We need to undertake such projects, but not excessively. Usually a luxury project requires an investment of over 100 million yuan, several hundred million yuan, over 1 billion yuan, or even several billion yuan. If we cut the number of these projects or launch them later, we will have more money for agricultural investment.

To sum up, both central and local governments must increase agricultural investment. The central government will focus on harnessing big rivers and supporting poor areas in central and western regions, while the leadership at provincial, prefectural, and county levels should concentrate on capital construction on farmland. It is essential to bring into full play our superiority in

rich labor resources. We have 400 million peasants; if every peasant can take part in capital construction of farmland and water conservancy projects for 20 working days, we will get much done.

On top of that, in increasing agricultural investment, we should introduce foreign funds, technologies, and management expertise. Coastal areas have done a better job in this field. What is gratifying is that foreign-exchange-earning agriculture has been developed in many places. Foreign businessmen who invest in China's agriculture are allowed to set up joint-venture or exclusively owned processing factories, cold-storage plants, and production bases to make products for export. We should also introduce improved varieties and advanced management expertise from abroad to develop our agriculture.

On Preventing Farmland Being Diminished

This is really an urgent issue. The state has issued clear regulations on this issue. We have achieved certain results in the work, but failed to basically solve the problem. Farmland is still decreasing. The last two years saw the greatest reduction in farmland. Big plots of farmland were assigned for building development zones. We held the malpractice in check, lowering the temperature and preventing some places from carrying out their plans for setting up more development zones. Again, the extension of major and medium-sized cities has also resulted in fewer vegetable plots in suburban areas. Therefore, we must strictly limit land for urban construction to a certain amount. We should encourage construction of high-rises instead of allowing cities to extend without limitations. In addition, transport and other projects have also occupied quite a lot of land. The state has taken measures to exercise the strictest control over the land occupied by urban construction and transport and other projects. Land sown to grain was also allocated for growing fruit trees and for building fishponds in agricultural restructuring. We have clearly stipulated that the grain-growing area can no longer be diminished in agricultural restructuring. A total sown area of 1.65 billion mu is the minimum. Fruit trees must be grown on mountains and beaches and in courtyards rather than on farmland. We should encourage raising the multiple-crop index by adopting intercropping and interplanting, which serves in fact to increase the sown area and helps increase cash crops. Various localities are setting up protection zones for basic farmland, banning the occupation of basic farmland.

On Invigorating Agriculture by Applying Scientific and Technological Achievements

Relying on science and technology to raise agricultural production, it should be pointed out, is where the hope of China's agriculture lies. In our era, we must mainly rely on scientific and technological progress to increase agricultural production and raise economic efficiency. At present, science and technology contribute respectively 35 percent and over 70 percent to the increases in

agricultural production in China and in some developed countries. The gap is very large, indicating that there is enormous potential for us to tap in this respect. It should be pointed out that very much can be achieved in the research on basic agricultural science and technology, the spread of applied technologies, and the introduction of advanced technologies from abroad. Application of advances in science and technology requires less input, yields greater economic results, and promises quick returns, so we should step up our work in this field.

To develop science and technology, we must first of all set aside more money for it. The funds for boosting agriculture should go mainly to science and technology, because this represents the best investment. We should give priority to the cultivation of fine seed strains in increasing scientific and technological investment. Just as some scientists have pointed out, if we could make a big breakthrough in cultivating and popularizing fine seed strains, China's agricultural problem would be basically solved. We do not have to spend much money on this work; some 120 to 130 million yuan each year will be enough. The sum is very small; even 1.02 or 1.2 billion yuan [as published] should be spent on it if our agricultural production could be raised by a big margin.

We should keep a sufficient number of people working in the agro-science and technology field. We should strengthen the network for popularizing science and technology at the basic level in rural areas. During rural reform some units responsible for popularizing science and technology have allowed scientific and technological personnel to seek extra income on their own, because they had poor working conditions and were offered low pay, thus making it impossible for them to make progress in their work. We are pooling efforts to strengthen the network. Without the popularizing network, scientific and technological achievements would not be turned into productive forces. We hope the large numbers of scientific and technological personnel will go to the forefront of agricultural production to offer technical advice, give guidance, or undertake contract projects, fully displaying their talents. Scientific research institutes have contracted to run more and more arable land and achieved good results.

On Supporting Poor Areas

Supporting poor areas has been on the state agenda for many years. A special office for supporting impoverished areas has been set up and has achieved results in its work. However, up to now 80 million people have yet to shake off poverty. The people in "former revolutionary bases, ethnic minority regions, and remote areas" have greater difficulty, because these places are inaccessible and bogged down in poor conditions for production. When I was in Gansu for inspection, I found that some places there had only 200 to 300 mm of rainfall per year. The climate there was so dry that local people found it difficult to get drinking water. So the task of helping these areas shake off poverty is not as easy as we had imagined; rather, the task calls for enormous efforts.

Supporting poor areas is like "storming heavily fortified positions." The state has adopted measures to mobilize eastern regions, which have got rich earlier, to help western regions launch some projects. What matters is to encourage local peasants to exploit local natural resources so as to improve their conditions for production and increase income. The peasants in those places where living and labor conditions do not exist should be relocated.

The state encourages economically developed coastal areas to help "former revolutionary bases, ethnic minority regions, and remote areas," with the former contributing funds and technology and the latter natural resources and labor. To my knowledge, coastal provinces in eastern and western regions are intensifying cooperation, including exchanges of cadres. Cadres from certain units in Shandong and Jiangsu, for example, support counterpart units and exchange jobs with cadres in western regions, taking with them the successful experience gained in eastern regions, while cadres in western regions go to eastern regions to temper themselves through work and learn something useful for their own regions. I believe there will be more and more opportunities for such cooperation with economic growth. This is because coastal areas need to develop sources of raw materials in western regions to further develop themselves and businessmen will begin to exploit low costs and high efficiency in western regions by establishing factories there when certain projects have reached saturation point and labor costs are fairly high in eastern regions. During the Ninth Five-Year Plan the state is considering launching infrastructural projects related to coal, electricity, transport, and water conservancy in central and western regions in a bid to basically improve the conditions of production there. The central authorities have attached greater and greater importance to development in central and western regions and will introduce policies favoring western regions in the distribution of the economy. The departments concerned are also planning to stimulate development and opening up of western regions by introducing preferential measures.

Henan Secretary on Strengthening Rural Work

HK2903140795 Zhengzhou Henan People's Radio
Network in Mandarin 2300 GMT 22 Mar 95

[FBIS Translated Excerpt] The Henan Provincial Rural Work Meeting concluded yesterday. At the meeting, Secretary Li Changchun asked all levels of party committees and governments to acquire a clearer understanding of the situation, to control the overall situation, to improve their work style, and to proceed with their work in a down-to-earth manner to bring about overall development of the province's agricultural and rural economic work.

Deputy Secretary and Governor Ma Zhongchen presided over the meeting. [passage omitted]

Li Changchun's speech was divided into three parts. On the question of having a clear idea of the situation,

improving understanding, and unifying the people's thinking on the basis of the instructions from the central rural work meeting, Li Changchun said: Henan is a large agricultural province undertaking a heavy responsibility and arduous tasks in agricultural and rural work. All levels of party committees and governments must fully understand the importance and urgency of strengthening agricultural and rural work; correctly seize the existing good opportunity for agricultural development; have a clearer idea of speeding up agricultural and rural economic development; bring about an organic combination of the development of grain and cotton, the development of a diversified economy, and the development of township and town enterprises; and ensure the fulfillment of the two major strategic tasks, one being to increase the supply of essential agricultural products and the other to increase peasant incomes.

On expediting agricultural and rural economic development, Li Changchun pointed out the need to bring the following four focal points into prominence:

The first is to actively develop grain and cotton production and improve the supply of major agricultural products. [passage omitted]

The second is to firmly develop township and town enterprises. [passage omitted]

The third is to reduce the peasants' burden and form closer ties between cadres and the masses. [passage omitted]

The fourth is to strengthen management over wheat fields, increase the irrigation areas, and set off an upsurge of combating drought to reap a good summer harvest.

On strengthening leadership, improving work style, and ensuring the fulfillment of all agricultural and rural tasks, Li Changchun said: In fulfilling this year's agricultural and rural tasks, the key lies in all levels of party committees and governments putting agriculture in the first place in the economic work. [passage omitted]

Ministry Succeeds in 1994 Bumper Harvest Plan

OW3003031595 Beijing XINHUA Domestic Service in
Chinese 1016 GMT 18 Mar 95

[By reporter Pu Liye (5543 4539 2814)]

[FBIS Translated Text] Beijing, 18 Mar (XINHUA)—The "Bumper Harvest Plan [BHP]" projects, which have been enormously effective in raising agricultural output, once again attained remarkable results in 1994. According to recent agricultural departments' briefings, the total value of extra crops produced under BHP projects in 1994 amounted to 3.517 billion yuan, yielding a net income of 2.7 billion yuan.

The BHP projects are major measures undertaken by the Ministries of Finance and Agriculture to continually raise China's agricultural output. They include farming,

animal husbandry, and fishing endeavors. Their objectives are to promote various advanced applicable technologies and to increase extensively production and harvest in the agricultural sector. In 1994, the Ministry of Agriculture delegated 13 BHP projects to subordinate departments and localities. Consequently, relevant programs were applied to 74.48 million mu of land, accomplishing 10.37 percent over the original target. Various provinces and municipalities have established relevant organizations with personnel in charge of administration, technology, and materials so as to participate in and promote BHP projects. The personnel have specific duties, responsibilities, and divisions of labor, and implementing BHP projects has been a part of their objective-management tasks. While implementing BHP projects in 1994, the Ministry of Agriculture and various localities stressed key technologies and paid attention to coordinating with and complementing different sectors. They have successively promoted more than 10 comprehensive output-raising techniques, including light-duty cultivating [qing xing zai *pin* 6535 0992 2707 1014] techniques for rice; sparsely planting rice on dry ground [shui dao han yu xi zhi 3055 4470 2487 5148 4449 2784]; raising corn output in the Huanghe, Huaihe, and Haihe river basins; purifying and strengthening wheat strains; and special programs to prevent and eliminate bollworms.

To ensure the projects were earnestly implemented and would yield results, the state invested a total of 24.94 million yuan of BHP funds on two separate occasions in 1994; various localities correspondingly invested 66.61 million yuan; and peasants voluntarily gathered and invested 1.2 billion yuan. Meanwhile, various localities made greater efforts to provide training programs on agricultural techniques so that cadres and the masses could understand and master new technologies and achievements. In 1994, farming areas under BHP projects held various training classes, trained more than 100 million peasants, and printed some 10 million technical materials. The measures have ensured that BHP farming projects yielded another bumper harvest. According to 1994 statistics, farming areas under BHP projects produced an additional 1.5 billion kg of grain, 110 million kg of cotton, 327 million kg of edible oil, 246 million kg of sugar, and 220 million kg of vegetables.

Agriculture Minister Stresses Grain Self-Sufficiency

HK3003050695 Beijing ZHONGGUO XINWEN SHE in English 1152 GMT 29 Mar 95

[FBIS Transcribed Text] Beijing, March 29 (CNS)—China, with its agricultural strategies centred on self-support, should never become a major grain importer, said Liu Jiang, Minister of Agriculture.

According to Minister Liu, China should prevent the following three controversial misconceptions concerning the issue of grain.

1. The idea that the grain problem is not serious in China and therefore overlook the weak grain production base of the country;
2. The thought that, in developing a market economy, China should concentrate on profitable crops and products at the expense of grain;
3. The concept that grain can be easily purchased by money, overlooking the stringent trends in international and domestic grain supply and grain prices.

Grain supply, which is related to social stability and national security, should not be left to rely on the international market. The import of grain is under many constraints, for example, a stringent supply will push the price higher. Moreover, China's grain security strategy is vital when taking into consideration China's reserves of foreign exchange and her ability to pay, and her port and transport facilities: China should not become a main grain importer.

Vice Governor Addresses Henan Rural Work Meeting

HK3003074195 Zhengzhou Henan People's Radio Network in Mandarin 2300 GMT 20 Mar 95

[FBIS Translated Excerpt] The provincial party committee and government held a provincial rural work meeting in Zhengzhou yesterday [20 March] to discuss the implementation of the instructions of the central rural work meeting; the enforcement of a number of policies and measures set by the party central committee and the State Council on strengthening agricultural work; and the fulfillment of the two major targets of ensuring the supply of essential agricultural products, and bringing about a steady increase in peasants' income by making every possible effort for a good agricultural harvest this year and for comprehensive rural economic development throughout the province.

Song Zhaosu, deputy secretary of the provincial party committee, presided over yesterday's meeting. [passage omitted]

Vice Governor Li Chengyu spoke at the meeting, relaying the instructions of the central rural work meeting. He subsequently analyzed the province's current agricultural and rural economic situation, saying: The province has made certain achievements in agricultural and rural economic development, but there also are problems not to be overlooked. These find expression mainly in some comrades' being unable to put agriculture in the first place in economic work; in the continuous expansion of the gap between the per capita rural economic targets and development rates of Henan and those of the rest of the country; in the prominent shortage of agricultural investment; in the sluggish change in agricultural production conditions; and in agriculture's being poor at resisting natural disasters. [passage omitted]

On strengthening agriculture and comprehensively developing the rural economy this year, Li Chengyu said: The guiding principle for this year's agricultural and rural work is to thoroughly implement the important decisions of the party Central Committee on strengthening agriculture; deepening rural reform; increasing agricultural investment; improving agricultural production conditions; making a success of grain, cotton, and oil production, as well as the shopping basket program; developing town and township enterprises and a diversified economy; making efforts for a good agricultural harvest; promoting comprehensive rural economic development; increasing the supply of essential agricultural products, and raising the peasants' income; and maintaining social stability in rural areas. [passage omitted]

Fujian Deputy Secretary Urges Good Work in Farming

HK3003054495 Fuzhou Fujian People's Radio Network in Mandarin 2300 GMT 8 Mar 95

[FBIS Translated Excerpt] Yesterday afternoon, the provincial party committee and government held a telephone meeting to relay the instructions of the central meeting on rural work and arrange spring farming. The meeting asked all levels of party committees, governments, and departments to thoroughly implement the instructions of the central and provincial meetings on rural work, to set off an upsurge in spring farming, to take effective measures to protect early grain production, and to reap a good agricultural harvest this year through every possible means.

Lin Kaiqin, deputy secretary of the provincial party committee, made an important speech at the telephone meeting on behalf of the provincial party committee and government. Executive Vice Governor Wang Jianshuang presided over the meeting. [passage omitted on names of other participants]

At the meeting, Lin Kaiqin stressed: We must conscientiously implement the instructions of the central meeting on rural work and strengthen agriculture as the foundation of the national economy. First, the most important and urgent point is to use central instructions to unify the understanding of leaders at all levels. Second, we must earnestly implement these instructions in close combination with specific conditions, with the aim of resolving problems. Third, we must be quick in action and pragmatic in policy.

Lin Kaiqin demanded the thorough fulfillment of spring farming tasks to lay a solid foundation for a good harvest this year. He said: The provincial authorities have called for an increase of 10 kg per mu and an increase of 150,000 mu of early rice acreage this year. To achieve these ends, all localities must guarantee the following five points: Farming acreage, production measures, policy to support grain production, a timely farming season, and an adequate number of leading cadres. [passage omitted]

Expert Tells of Potential for Boosting Wheat Output

OW3003120695 Beijing XINHUA in English 1004 GMT 30 Mar 95

[FBIS Transcribed Text] Zhengzhou, March 30 (XINHUA)—A Chinese wheat expert said he believes that the potential for greater wheat output increases in China lies in the combination of traditional ways of farming and modern agro-techniques.

Liu Yingxiang, head of the National Advisory Group of Wheat Experts, made this point during an exclusive interview with XINHUA here recently.

By the turn of this century the total output of wheat will reach 120 billion kg in China, an increase of about 20 billion kg from the present.

The statistics are the result of calculations made by 16 experts on the advisory group through a feasibility study of prospects for greater wheat output increases.

Liu held that the key to meeting the target is to raise wheat output per ha of farmland by big margins, and the combination of traditional ways of farming in China and modern agrotechniques will well serve this purpose.

He admitted that the traditional Chinese agricultural mode, which features intensive farming and wide application of organic manure to farmland, has many advantages.

However, China, with a huge population of 1.2 billion and a limited area of farmland, will by no means meet its wheat output target by the year 2000 if it only sticks to the traditional ways of farming, Liu warned.

He explained that his own experience and agricultural development in many developed countries show that the hope for greater increases in grain output also depends on an adequate use of scientific and technological progress in agriculture.

Liu, who has so far engaged in wheat production for more than 40 years, used to be an ordinary farmer in a village in Yanshi County, Henan Province.

He has always been enthusiastic about finding efficient methods for increasing wheat output per ha. As early as 1950s he had the idea of enabling local villagers to eat buns made of quality flour.

By combining traditional ways of farming and guidance from local agro-technicians, Liu achieved a per-ha wheat output of 2,250 kg in the late 1950s and 6,750 kg in the late 1960s.

He was encouraged by the result. The fact that the application of new agro-techniques can raise wheat output enormously also widened his vision. Liu continued to carry out his experiments on a larger area of farmland.

Liu later became a senior agro-technician himself and was promoted to a post in charge of agricultural work at the Henan provincial level.

In the middle of the 1980s he was sent to the United States as the only Chinese deputy to attend an international academic meeting on agriculture held in California. His paper, based on the positive results achieved by combining traditional ways of farming and modern agro-techniques strongly interested the audience. He has also been to several other foreign countries including France and Germany to inspect agricultural development there.

"For the time being, the foremost task to be done well is the propagation and spreading of improved varieties of crops," he said, adding that quality seeds are the leading factor in ensuring wheat production featured by "three highs" (high quality, high output and high efficiency).

Studies indicate that since the founding of New China in 1949, every change in the use of an improved variety of wheat has brought about a 10-to-20-percent increase in grain output, said Liu.

He also stressed the importance of selecting appropriate patterns for growing wheat in accordance with local conditions, the prevention and cure of various wheat diseases and insect pests, and the building of networks providing social services in rural areas.

According to him, the state and local governments will invest 1.2 billion yuan to carry out comprehensive agricultural development on 10 million mu (one mu equals 0.07 ha) of farmland in Henan's Zhoukou Prefecture, a leading production base for cotton and grain in Henan.

Beginning this year, Henan has organized about 1,000 wheat experts, with Liu as the head, to experiment in increasing wheat output on the province's 20 million mu of low-yielding farmland. Liu said he was confident that he would achieve positive results.

"The potential for bigger increases in grain output is great in China," Liu said, adding that the Chinese people

can solve their own food problem without holding the world back over the food issue.

***Heilongjiang Reports Crop Area for 1995**

95CE0272X Harbin HEILONGJIANG RIBAO in Chinese 24 Feb 95 p 6

[FBIS Summary] Based on a survey of 2,080 rural households in 26 cities and counties in Heilongjiang Province, in 1995 the crop area will reach 129,529,000 mu, a decline of 520,000 mu from 1994. The grain area will increase by 146,000 mu; and the area sown to cash crops and other crops will decrease. The rice area will total 11,391,000 mu, an increase of 168,000 mu or 1.5 percent; the wheat area will total 20,445,000 mu, an increase of 2,525,000 mu or 14.9 percent; the corn area will total 33,193,000 mu, an increase of 3,731,000 mu or 12.66 percent; the millet area will total 1,738,000 mu, an increase of 112,000 mu or 6.9 percent; and the vegetable area will total 3,979,000 mu, an increase of 32,000 mu or 0.8 percent. At present, Heilongjiang has a shortage of corn seeds, and seed prices have increased.

***New Regulations Issued for Sugar Prices**

95CE0272W Chongqing XINAN JINGJI RIBAO in Chinese 1 Mar 95 p 2

[FBIS Summary] Recently the Price Management Department of the State Planning Commission issued regulations on sugar prices that stipulate:

The state will implement guidance management for sugar prices. Every year the Price Management Department of the State Planning Commission will formulate the guidance factory price and wholesale price based on supply and demand.

In 1994-1995 the factory price (including tax) of sugarcane sugar is 3400 yuan per ton, and beet sugar is 3650 yuan per ton, production enterprises are allowed to set their own price within a 10 percent range. Wholesale prices (including tax) of sugarcane sugar is 4000 yuan per ton, and beet sugar 4250 yuan per ton.

State-owned sugar, tobacco and liquor companies that procure more than 1,000 tons of sugar at a time will be charged the wholesale guidance price.

East Region

Governor Solicits Opinions on Fujian Work Report

HK3003073995 Fuzhou Fujian People's Radio Network in Mandarin 2300 GMT 20 Mar 95

[FBIS Translated Text] Yesterday afternoon [20 March] Governor Chen Mingyi held a talk in the conference room of the provincial committee of the Chinese People's Political Consultative Conference [CPPCC] to solicit the opinions of leaders of the provincial CPPCC, democratic parties, and industrial associations on the draft of the government work report to be submitted to the Third Session of the Eighth Fujian Provincial People's Congress.

Executive Vice Governor Wang Jianshuang and Vice Governor Pan Xincheng were present at the talk. Provincial CPPCC Chairman You Dexing, attended the talk, along with Vice Chairmen Lu Haoran, Zhao Xiufu, Chen Jiazhen, and Lin Yu.

These leaders said that the draft fully demonstrates the spirit of General Secretary Jiang Zemin's eight-point proposal on reunifying the motherland, as well as Premier Li Peng's important instructions issued during his inspection of Fujian. [words indistinct] They expressed detailed opinions on strengthening the position of agriculture as the foundation of the national economy; on developing science, technology, and education; on strengthening urban and rural planning, construction, and management; on rationally using and protecting farmlands; on improving public health; and on [words indistinct].

After listening to these leaders' opinions, Governor Chen Mingyi said: I thank every one of you for your sincere and positive suggestions. We will conscientiously review these suggestions, and will revise the work report in such a way that it will become more compact and practical.

Jiangxi's 'Cost-of-Living Income' Revealed

HK3003073895 Nanchang Jiangxi People's Radio Network in Mandarin 1100 GMT 19 Mar 95

[FBIS Translated Text] According to the results of a sample survey of the home life of residents in 12 cities, the per capita average annual cost-of-living income of the urban population in Jiangxi during all of 1994 was 2,583.6 yuan, which is 734.52 yuan more than in 1993 or an increase of 39.7 percent. These growth rates are the highest levels since the province launched the drive of reform and opening up to the outside world. In the 12 cities, the year's per capita average cost-of-living income in Xinyu was 3,003.96 yuan, 420.36 yuan higher than the average level in the province, and thus occupied first place. The ranking of the other 11 cities was as follows: Jinggangshan, Nanchang, Jiujiang, Pingxiang, Jian, Shangrao, Yingtan, Yichun, Wuzhou, Ganzhou, and Jingdezhen.

Shanghai Airport Uses EDI Inspection System

OW2903152695 Beijing XINHUA in English 1424 GMT 29 Mar 95

[FBIS Transcribed Text] Shanghai, March 29 (XINHUA)—An electronic data interchange (EDI) system for customs inspection was put to use at Hongqiao International Airport in this leading industrial city today.

This means that Shanghai has reached a new stage of customs inspection, said a local customs official.

The system, developed by the technological development department of Shanghai Customs, had a month-long trial run after being connected with DHL Worldwide Express.

Operation of the new system will shorten the cargo inspection time and make customs formalities simpler, the official said.

Shanghai's imports and exports increase with each passing year as a result of a rapid growth in foreign trade. The city handled 32 million tons of cargo last year.

The city will expand the new system to include marine inspection in the future.

Central-South Region

Guangdong People's Congress Official Arrested

HK3003070995 Hong Kong MING PAO in Chinese 27 Mar 95 p 1

[By staff reporter: "Ouyang De, Vice Chairman of the Guangdong Provincial People's Congress Standing Committee, Arrested in Case of Suspected Bribery"]

[FBIS Translated Excerpt] According to a source in Guangzhou, Ouyang De, former secretary of the Dongguan City CPC Committee and incumbent vice chairman of the Guangdong Provincial People's Congress Standing Committee, was arrested a few days ago for suspected graft. This event has evoked intense shock in Guangdong Province. It has been learned that the case, in which Ouyang De is suspected of taking an enormous amount of money and which is likely to involve many people, is a very sensitive one in Guangdong.

Ouyang is the first deputy provincial-level official in Guangdong to have been arrested in the past dozen years or so, and is the highest-ranking official involved in the latest round of the anticorruption campaign.

Lau Pui-king, a Hong Kong delegate to the Guangdong Provincial People's Congress and deputy director of the business department of Hong Kong Polytechnic University, also holds that the fact that the Supreme People's Procuratorate, rather than the Guangdong provincial judiciary organ, has taken legal action against Ouyang De shows that the details of the case are very serious. [passage omitted]

A native of the city of Dongguan, 62-year-old Ouyang De joined the CPC in 1953, and has held the posts of deputy secretary of the Dongguan County Supervisory Commission, secretary of the Houjie Commune CPC Committee, and secretary of the Dongguan County CPC Committee. After 1981 he was deputy secretary of the Huiyang Prefectural CPC Committee and commissioner of the Huiyang Prefectural Administrative Office. In 1988 he returned to Dongguan, which was upgraded into a city, as secretary of the city party committee and chairman of the city people's congress. He was also an alternate member of the Guangdong Provincial CPC Committee and a delegate to the 14th CPC National Congress, and was elected vice chairman of the provincial people's congress at the Eighth Guangdong Provincial People's Congress in February 1993. He resigned from the post of secretary of the Dongguan City CPC Committee last year, and was replaced by Li Jinwei, former mayor of Huizhou.

Having worked in Dongguan and Huiyang for many years, Ouyang De has a considerable influence in the localities. It has been learned that his corruption case was exposed before he was promoted to the provincial people's congress, and that the case would not have been brought to light had he not resigned from his post and retired.

Ouyang De was said to have close ties with Lin Ruo and Fang Bao, the incumbent chairman and vice chairman of the provincial people's congress. As natives of Dongguan, the three were colleagues in the 1950's, with Lin Ruo serving as secretary of the county party committee, Ouyang De as deputy secretary of the county supervisory commission, and Fang Bao as chief of the county public security bureau. When the Guangdong Provincial People's Congress held an emergency meeting to discuss the case a few days ago, both Lin and Fang were present.

The source said: The Ouyang case now is being closely investigated by a special team formed jointly by the Supreme People's Procuratorate and the Anticorruption Bureau of the Guangdong Provincial Procuratorate. The details of the case have been kept secret, however, which shows that not only is this a serious case, but it is intended to avoid various interruptions from local forces. [passage omitted]

Guangdong Light Industry Company Opens

HK3003124495 Beijing CHINA DAILY in English 30 Mar 95 p 5

[By Wang Rong: "Light Industrial Firm Hangs Out its Shingle"]

[FBIS Transcribed Text] Guangzhou—Guangdong No 2 Light Industry Group Company opened on Tuesday in Guangzhou, capital of South China's Guangdong Province.

Formerly Guangdong No. 2 Light Industry Department, the company will continue to take charge of light industrial enterprises in the province, said Zhu Qi, the general manager.

But the management will no longer implement inflexible administrative methods, he emphasized.

The company is mainly involved in the production of industrial use and daily use consumer goods, such as metal ware, plastic products, garments and toys.

Zhu welcomed co-operation from more investors at home and abroad in a bid to upgrade the technology, management and production scale of lucrative light industry. "From now on, the group company must be operated completely as a firm," he said, adding that all the administrative functions of the former department has been transformed to other governmental departments.

Business of the company will include the production of consumer goods, industrial designation, real estate, indoor decoration and others.

Light industry in Guangdong has been developing rapidly in recent years and it ranks prominently in both production and export in the country.

During the past nine years, the province has continued to be the largest producer and exporter in China's second light industry, according to Zhu.

Last year, its output value reached 48.5 billion yuan (\$5.78 billion), a 17 percent rise on the 1993 figure.

At present, there are over 3,000 enterprises and 600,000 people engaging in light industry.

***Shenzhen Mayor on Regional Integration, Openness**

95CE0309A Shenzhen SHENZHEN TEQU BAO in Chinese 19 Jan 95 pp 1, 2

[Article by Li Youwei (0632 2589 3634), secretary of Shenzhen City CPC Committee and mayor of Shenzhen: "Strengthen Regional Integration, Play Role Well As a Showpiece"]

[FBIS Translated Text] During the second half of 1994, the Guangdong Provincial CPC Committee decided to work out a unified plan for the development of the Pearl River Delta Economic Zone. This is an important measure to implement the task assigned to Guangdong by the central authorities and Comrade Deng Xiaoping to take the lead in achieving modernization and to help Guangdong give full play to its supremacy. It will greatly promote economic growth in the Pearl River Delta and turn it into a large economic zone with a cluster of cities which attract worldwide attention. It is of major and profound significance in promoting economic development in Guangdong, South China, and even the entire country.

We at the city of Shenzhen wish to resolutely respond to this major policy decision and work hard to coordinate with others in making contributions.

Shenzhen is the front-line and show window of the Pearl River Delta in opening to the outside world, while the Pearl River Delta is Shenzhen's hinterland and backup force. Shenzhen and the Pearl River Delta have maintained close contacts and cooperation with each other, and laid a relatively good foundation in working with other fraternal cities to build the economic zone. Right now, we are working hard to formulate the "Basic Plan to Strengthen Regional Integration Between Shenzhen and the Pearl River Delta Economic Zone" and take immediate actions to strengthen integration according to the guideline laid down by the provincial party committee.

First, we must strengthen integration between Shenzhen and its surrounding areas in building infrastructural facilities such as water, electricity, and communications. After more than a decade of construction and development, cities and townships in the Pearl River Delta are practically linked together. It is more urgent to connect the infrastructural facilities in various cities together. The rapid expansion of cities have created many new problems. It is almost impossible for a single city alone to solve these problems. Let us take water as an example. To solve this problem well, Shenzhen must closely coordinate with Dongwan and other fraternal cities. In a long run, it must also cooperate with Hong Kong and other cities in Guangdong. The leading comrades of the provincial party committee and government have repeatedly pointed out that to help Shenzhen exploit its water resources and solve the problem of the use of water, it is necessary to include the issue in developing water resources in the entire plan for the development of the Pearl River Delta Economic Zone. This will be a tremendous support to Shenzhen.

Second, we must strengthen integration between Shenzhen and its surrounding areas in promoting industrial development. To include Shenzhen's industrial development plan into the overall plan for the development of the Pearl River Economic Zone is conducive to effecting a rational distribution of industries in Shenzhen and its surrounding areas. It will help avoid the situation where industries in various cities are redundant in nature, too far apart, or of low operational efficiency. It will also help Shenzhen and its surrounding cities cooperate with one another with a division of labor, and complement and benefit one another. It will help Shenzhen further upgrade its industries, expand the production scale, and upgrade products as soon as possible.

Third, we must strengthen market integration between Shenzhen and other areas of the Pearl River Delta. Following development of the market economy, all types of markets in the Pearl River Delta have become active, with all the sectors exploiting their own advantages for mutual benefit and prosperity, forming a large, unified, open, competitive, and orderly market. This large market is of great significance in developing the entire economic zone. Shenzhen's development starts with and benefits from the market. Its advantages are also brought

into full play in the market. We must work hard to seize the opportunity of developing the large economic zone to give full play to the role of the special economic zone as a show window to attract investors, display exhibitions, and facilitate the flow of commodities, and as a regional center for banking and security transactions. We must strengthen integration among markets of all types in the economic zone, join our efforts in building a large market and promote market growth in the economic zone.

Fourth, We must strengthen integration between Shenzhen and the Pearl River Delta in formulating policies. On the one hand, the Pearl River Delta is divided into three basic levels opening to the outside world—the special economic zone, the open cities, and the economic development zone. There are different regional policies for each level. On the other hand, the Pearl River Delta economic zone should be supplemented with an overall and balanced policy to provide guidance and bring about coordinated social and economic development in the zone. In working out plans and policies, we must pay attention to unity and the characteristics of each area. We must also take into consideration the actual conditions in each area, as well as the overall situation in the entire economic zone to link up all the policies.

It is also necessary to strengthen integration between Shenzhen and its surrounding areas in working out plans for improving the environment, promoting social development, and developing spiritual civilization.

In order to strengthen integration in the aforementioned areas, we have already asked the various relevant departments and assigned principal leading comrades of the various sectors to work out specific, well coordinated, and feasible plans to help the city party committee and government and the provincial party committee and government make policy decisions and implement the strategic plan of the provincial party committee.

As far as Shenzhen is concerned, there is an issue of what to do and how to play its role well in developing the Pearl River Delta Economic Zone. Shenzhen is a show window of the whole country and Guangdong and also a show window of the Pearl River Delta. Therefore, in formulating plans for the development of the Pearl River Delta Economic Zone, Shenzhen must bring into play its role as a show window and strive to multiply its influence over the Pearl River Delta. We believe that Shenzhen should give full play to its role as a show window in the following aspects:

First, it should give full play to its role as a show window in international trade. The total value of Shenzhen's exports reached \$18.2 billion, ranking top among all large and medium-sized cities throughout the country. We must further turn Shenzhen into a city where merchants flock from all parts of the world, a center and bridge for market exchange between China and foreign countries, and a main thoroughfare from the Pearl River Delta to the world.

Second, it should give full play to its role as a show window in finance. Shenzhen now has 198 financial institutions and 1,017 agencies, including 48 foreign-funded institutions and Chinese-foreign joint ventures. There are all types of financing institutions with advanced facilities. In addition, the market mechanism in the city is sound with brisk economic activities and high economic efficiency. Shenzhen also has the advantage of a cross-country stock market. Therefore, it is possible that Shenzhen may become a financial center which connects all monetary markets at home and abroad.

Third, it should give full play to its role as a show window in establishing a market mechanism. Shenzhen takes the lead in establishing the socialist market economic system and bringing the market mechanism into full play. Its market mechanism is relatively sound. Shenzhen will play an active role in helping the Pearl River Delta Economic Zone undergo the change from a transitional market economy to a mature and regular one.

Fourth, it must give full play to its role as a show window in developing high- and new-technology industries. Shenzhen has relatively greater advantages in developing high- and new-technology industries. The output value of Shenzhen's high- and new-technology industries in 1993 increased 10 times as compared with that of 1988, while that of 1994 grew 64 percent over that of 1993. The output value of Shenzhen's high- and new-technology industries accounted for 18.8 percent of the city's total industrial output value. Henceforth, with the implementation of the strategy of the special zone in developing high- and new-technology industries, Shenzhen's role as a base area for the development of the high- and new-technology industries will be further brought into full play.

Fifth, it must give full play to its role as a show window in collecting and providing information. Shenzhen borders on Hong Kong, which is an international information center. In recent years, the information industry in Shenzhen has rapidly grown. Right now, an city-wide information network to serve the government in exercising macroeconomic adjustment and control and a public information service system to serve the society have been set up in Shenzhen. Through this network and system, a large amount of important information has been gathered at home and abroad for social and economic development. It is estimated that by 2000, Shenzhen will be able to provide abundant information for economic development in the city, modernize all means in collecting information, complete the information network, and update information transmission technology scientifically to serve the Pearl River Delta and even the whole country.

Sixth, it must give full play to its role as a show window in improving urban management. Shenzhen is working hard to turn itself into an international city, improve its

functions and urban environment and management, raise its standards in socialist ethics, and urbanize the Pearl River Delta.

Also, Shenzhen must quicken its pace in promoting democracy and improving its legal system. It must enact more laws so that the reform of the superstructure will be suited to the economic base. In this connection, Shenzhen must also boldly carry out investigation and practice, and play its role well as a show window.

Looking forward to the future, we are full of confidence. We believe that with the rapid development of the entire Pearl River Delta Economic Zone and the formation of the pattern for mass production, vast circulation, and extensive market, Shenzhen and other cities in the Pearl River Delta will definitely be able to make new progress in developing the reform and opening-up program and promoting their economic development. The provincial party committee and government will certainly be able to fulfill their development plan, while the Pearl River Delta will definitely be able to make still greater contributions to developing the whole province and the entire country!

Southwest Region

Sichuan Reports to Beijing Authorities on Poverty

HK2803124895 Chengdu Sichuan People's Radio Network in Mandarin 2300 GMT 14 Mar 95

[FBIS Translated Text] The Sichuan provincial party committee and government held a discussion meeting in Beijing yesterday morning [14 March] to report to those in charge of the ministries and commissions of the State Council and democratic parties. Those which had helped selected impoverished counties in the last few years met on the province's work of helping the poor through exploitation of resources.

Since 1987, 12 state ministries and commissions and democratic parties have helped 36 selected impoverished counties in Sichuan by transferring 950 million yuan in various types of funds, introducing 338 support projects of all kinds, and organizing quantities of competitively priced goods and materials. They also helped run five primary schools of hope and built 20,500 square meters of new school buildings, as well as setting up windows for impoverished areas. They jointly ran operational undertakings, and sponsored commodity fairs in impoverished areas in such developed cities as Beijing. Thus they did a lot of solid work and made outstanding contributions on behalf of Sichuan's impoverished areas in their bid to eliminate poverty and develop the economy.

Governor Xiao Yang attended the discussion meeting and Vice Governor Zhang Zhongwei briefed the meeting on Sichuan's efforts to carry out the help-the-poor work.

Yang Zhong, deputy head of the Leading Group for Support and Development of Impoverished Areas, and

others in charge of the 12 state ministries and commissions and two democratic parties attended the meeting and listened to the report

Technology Makes Sichuan Companies Efficient

OW3003052095 Beijing XINHUA in English 0436
GMT 30 Mar 95

[FBIS Transcribed Text] Chongqing, March 30 (XINHUA)—The auto and motor sector in this leading city of southwest China's Sichuan Province has become an economic pillar owing to technological upgrading over the past decade.

The city produced a total of 1.7 million motorcycles and 87,000 light and heavy-duty trucks and mini-buses last year, with the sales volume reaching almost 20 billion yuan, a quarter of the total of all industrial sectors, according to the city government.

The auto and motor sector of the city, an old and major industrial center of the country, includes many State-owned enterprises which engaged in military production before the middle of the 1980's, and it has turned mostly to civilian production and maintained an annual average increase of 50 percent over the past few years.

The enterprises have imported advanced technology to upgrade themselves, and turned out such name-brand motorcycles and mini-buses as "Jialin", "Jianshe" and "Chang'an".

Over the past decade, more than one billion yuan has been put for technical upgrading in the sector, which now has a fixed asset value of more than four billion yuan. Meanwhile, it has helped with the development of other industrial enterprises of the city.

Hundreds of enterprises in the city producing fittings for auto and motor parts were all profitable last year.

The Southwest China Aluminum Manufacturing Plant has become the biggest of its kind in Asia after eight years of expansion technologically with a total investment of over one billion yuan. Its products have been used for making cluster carrier rockets and Boeing aircraft.

The 50 leading enterprises in the city have all invested heavily in upgrading technology and their profits and taxes have accounted for more than 80 percent of the city's total.

Over the past four years, two thirds of the city's increased profits and taxes have come from technology upgraded projects.

The city will continue its efforts in this aspect and push large-scale technological upgrading in its auto and motor industry, telecommunications, medical and chemical industry, iron and steel industry and light industry.

The city has input more than 10.7 billion yuan in technological upgrading since 1990 and it will invest another ten billion yuan by the end of this century.

Tibet TV Calls 'Dalai Clique' a 'Western Tool'

OW2903005995 Lhasa Tibet Television Network in Mandarin 1200 GMT 28 Mar 95

["Television Forum: The Dalai Clique's True Features"; from the "Regional News Hookup" program]

[FBIS Translated Text] The Third Central Forum on Tibet Affairs noted that Tibet's situation was basically stable, but the antiseparatist struggle situation remained very grim. Maintaining Tibet's stability constitutes the core of the struggle against the Dalai clique. As the saying goes, "We can always be invincible as long as we know the enemy as well as ourselves." So let us now take a look at the Dalai clique's true features.

First of all, the Dalai clique is the product of the imperialist policy of interfering in Tibetan affairs and separating it from China. The 1959 armed rebellion launched by the local Tibet government and the reactionary cliques of the upper hierarchy were plotted under the instigation of foreign reactionary forces. Paghla Tuden, the Dalai's chief aide at that time specifically instructed the rebels to expand their armed forces rapidly because there would be foreign assistance. This shows that foreign forces' instigation and support were the fundamental causes of the rebels' venture. After the armed rebellion failed, the Dalai clique lived in exile in India for 35 years. Behind the fact that this political group living under another country's protection has large amounts of money to spend and can frequently air its views at expensive international occasions, and that its activities of splitting the motherland have become increasingly rampant, is the all-out support from anti-China forces in the West. We can say that without the support from Western forces, the Dalai clique could hardly subsist.

Why do these Western anti-China forces support the Dalai clique at any cost? Is it possible they are kind-hearted and pity the Dalai clique? Absolutely not. The anti-China forces do so because they simply do not want to see a unified, strong new China standing tall in the East. Thus, they use the Dalai clique as a Western tool to disintegrate China. Consequently, such a phenomenon has appeared: The intensity of the Dalai clique's separatist activities is totally determined by the strength of support from the West. This is why the Dalai clique's activities are sometimes rampant and sometimes more restrained.

Thus, we can easily see from the above analysis that the Dalai clique has become a separatist political group scheming for Tibetan independence and an anti-China tool of international hostile forces. These are the Dalai clique's true features.

Northeast Region

*Jilin Researchers Forecast 1995 Economic Trends

95CE0283A Changchun SHEHUI KEXUE ZHANXIAN [SOCIAL SCIENCES FRONT] in Chinese No 1, 25 Jan 95 pp 98-105

[Article by Qu Xiaomin (1448 2699 3046) and Cui Yuechun (1508 1471 2504) of the "Jilin Provincial Economic Analysis and Forecast" Project Team; responsible editor, Li Hua (2621 5478): "Forecast of Jilin's 1995 Economic Trend and Reflections on Some Related Questions"]

[FBIS Translated Text] The Central Economic Work Conference in November 1994 established the guidelines, main tasks, and policy-based measures for the 1995 economic work and mapped out clear-cut plans to steer the whole country on the road of continually strengthening and improving macroeconomic regulation and control to ensure the sustained, fast, and healthy development of the national economy. To fully implement the guidelines established at the conference and to maintain the excellent trend of our province's economic development following the remarkable achievements scored in 1994, we have formulated an annual macroeconomic model for Jilin Province by the econometric method. Based on this model plus verification and studies, we have analyzed the province's 1994 economy and forecast its economic trends in 1995.

According to our forecast and analysis, Jilin's economy in 1995 will continue to develop steadily at a rather quick pace. It is expected that the 1995 economy will remain within the fast-growth range, though there will be a continued moderate decline in the growth rate. The GDP will increase 10.5 percent or at a slightly higher rate. Investment in fixed assets will grow faster; its real growth rate will be more or less the same as the economic growth rate. Due to encouragement by the state's policy of giving more attention to agriculture, plus the favorable trend with regard to supply and demand in the farm produce market and the increased investing capacity of farmers following the 1994 bumper harvest, the province's agriculture in 1995 will remain in the state of stable development. The growth of industrial production will tend to slow down because of the relatively big influence of the "double retrenchment" measures implemented for investment and loans. However, the tertiary industry will maintain its fairly high growth rate and play an even greater role in the national economy. Inflation will be put under effective control with a remarkable drop in the rate of price hikes. The rate of rise in retail prices will hopefully drop to the region of 15 percent. Meanwhile, there will be a moderate upturn in market sales, and the real growth of sales will be higher than that in 1994. Imports and exports will maintain a rather robust growth. And thanks to the greater efforts spent for economic restructuring, the relatively fast economic

growth will be accompanied by a conspicuous rise in economic quality and efficiency, while continued progress is expected in improving the people's living standards and the government's financial situation.

The above-mentioned forecast of Jilin's economic development trends in 1995 reflects the most likely situation that will come up as a result of the changes and interactions of various economic factors under practical conditions. If conditions are different, it should be pointed out, the changes and interactions of economic factors will be different, and the trend of economic development, too, will vary to a great extent. Currently, Jilin's economic development has a number of remarkable problems, such as excessive price hikes, an acute shortage of capital, bearish markets for products, insufficient capacity for sustained agricultural development, and poor economic efficiency. There are also in-depth problems with respect to the system, operational mechanisms, and structure of the economy. Some of these problems are economic factors that affect the trend of economic development. Others are economic conditions which have an influence on changes in economic factors and ultimately on the trend of economic development. Without doubt, how well we can solve these problems will have a direct bearing on the realization of our economic-trend forecast and, in a certain sense, dictate the characteristics of our economic development. In view of this, if we are to ensure the province's sustained, fast, and healthy economic development in 1995 as expected in the forecast, we should closely integrate the Central Economic Work Conference's guidelines with Jilin's reality, deeply understand the existing problems, grasp the characteristics of our economic operations, and make clear the correct mindset and ways to solve problems in light of developing our economy. In studying and planning the overall economic work for 1995, it is especially necessary to achieve consensus on the following major issues:

I. Appropriate Retrenchment and Effective Growth

To achieve the forecast goal in developing Jilin's economy in 1995, we must properly deal with the relations among reform, development, and stability. While appropriately reining in investment and credit, we must strive to raise the quality and efficiency of economic development and maintain effective growth of the economy.

Over the past two years, Jilin Province, like all other parts of the country, has experienced inflation and an excessive rise in prices along with the continued fast economic growth. Though the rate of price hikes was slightly below the nationwide average, it still constituted a rather serious problem. During the 20 months from March 1993 to October 1994, some retail commodity prices and some components of the people's cost of living rose more than 10 percent, and the rate of increase has continued to go up. The estimated rate of price hikes for the whole year of 1994 is close to 20 percent, far

exceeding the control target. Excessive price hikes means a decline in the people's real income. They aggravate the difficulty of livelihood for the low-income class in both urban and rural areas and impede stabilization and improvement of the people's living standards as well as the maintenance of social stability. Historical experience shows that when the stable environment is adversely affected, it is very difficult to accelerate the process of reform. From the perspective of economic development, excessive price hikes are bound to affect the accuracy of price signals, thus nullifying their role in guiding the adjustment of the product mix and industrial structure. They will lead to a considerable rise in the costs of enterprise production, operations, and construction projects, thus impairing their normal economic accounting and operational policymaking. They will weaken the function of interest as a leverage in solving the shortage of capital. And they will affect the stability of the government's tax revenue sources and add to its administrative and operating expenses—a disadvantage to the improvement of the government's financial situation with regard to revenue and expenditure. Because of this, inflation, or excessive price hikes, has a great adverse effect on reform, development, and stability. We must solve this big problem in order to properly deal with the relations among reform, development, and stability. The Central Economic Work Conference set the demand for "firmly controlling inflation and taking the stabilization of market prices and control of inflation as a key task in properly dealing with the relations among reform, development, and stability." This points out clearly the direction that we should take.

To stabilize prices and control inflation, we must strengthen and improve our macroeconomic regulation and control by taking measures in two areas: One is to rein in the scale of investment and credit and control the supply of currency. The other is to strenuously restructure the economy and increase effective supply. However, as the main key to increasing or reducing the issue of currency is in the hand of the central authorities, there is often the misunderstanding that the local authorities are incapable of controlling the supply of currency. In addition, the retrenchment of investment and credit will, no doubt, restrict the speed of economic development—an outcome contrary to the wishes of local authorities for faster economic development. Because of this, the local authorities are apt to put less emphasis on such retrenchment, either deliberately or unwittingly, when formulating their policies. This is a practice we should guard against. In fact, the nationwide retrenchment of investment and credit depends on efforts made in various localities to cut the scale of investment and credit, improve the makeup of spending, and raise efficiency in using capital. As can be seen, the various localities are not "incapable," but have an unshirkable responsibility for such retrenchment. This is the case in all parts of the country, and Jilin Province is no exception.

In adopting the retrenchment policy, it is not true that the greater the extent of retrenchment, the better the

result. Rather, the pressure of inflation can only be reduced step by step with the development of production. Because of this, we should properly adjust the "extent" of retrenchment on the basis of our actual situation. Our present situation is that the large-scale projects under construction resulting from the huge investments made in previous years require follow-up funds to support their construction. To promote agriculture, we have to increase input, including capital input. To restructure our industrial product mix, we have to make proper funding arrangements to meet the needs of technology and equipment updating and upgrading. And to put our new productive capacities into immediately use, we must have sufficient initial funds to put the related newly completed projects into operation. With regard to those enterprises that are losing money and whose operations have been totally or partially suspended, some should be shuttered, cease operations, merged with other enterprises, or switched to other lines of business in connection with organizational restructuring; others are in need of new capital input to revive. In addition, Jilin's industrial structure, which lays emphasis on heavy industries, requires a relatively big amount of capital. Also, there must be a certain amount of working funds to ensure unimpeded industrial production. If we do not give matter-of-fact consideration to these problems but go too far in exercising retrenchment, we will not only waste our previous investments and affect our capacity for sustained economic development, but also cause current production to slide, intensify the imbalance between supply and demand, reduce job opportunities, and impair our economic as well as social stability. Clearly, this will defeat the purpose of retrenchment, which is to create a strain-free environment for economic development. As can be seen, the extent of the "double retrenchment"—retrenchment of investment and credit—should be appropriate. It should not bring about an economic contraction, but should be just right for maintaining a suitable speed of economic development.

It is undeniable that with such "double retrenchment," the rate of economic growth will slide down somewhat. However, in no way does this mean that we want to ignore the need for developing the economy. Economic development and the rate of economic growth are two interrelated and yet different concepts. Economic development means the unity of increase in quantity and rise in quality and the integration of speed and efficiency. The rate of economic growth is a quantitative reflection of economic development. To satisfy the people's ever-growing material and cultural needs, we must accordingly increase the quantities of commodities we produce, and it is, therefore, imperative to maintain a certain economic growth rate. However, it should be noted that though the hidden meaning of a certain quantity includes a certain quality, the principal effect of a growth target on economic operations is to stimulate an increase in quantity. If we ideologically equate an increase in the economic growth rate with economic development, we

will, in practice, ignore the quality and efficiency of economic development, arbitrarily go after speed and quantity, and expand reproduction on an extensive scale regardless of our actual needs and the possibilities. As an inevitable result, "our commodities will be plentiful but unsalable, and we will have a high rate of economic growth, but no money to spend." In other words, we will waste our resources and not satisfy the people's needs. Apparently, such an economic growth rate, no matter how high it is, cannot be considered as real economic development; at best, it is a low-quality expansion of the economic scale. As a matter of fact, the people's ever-growing material and cultural needs do not just mean a quantitative increase; more importantly, they signify a requirement for the elevation of quality. Since the start of the reform and open drive, our country has solved the people's food and clothing questions and is now marching toward the goal of enabling them to enjoy a comfortable life. In the days to come, our people's living standards will be raised to a more affluent level, and the continuous elevation of their consumption level will put a higher and higher demand on the quality of our economic development. For this reason, while continuing to deepen reform and expediting the transit from the planned economy to a market economy, we must change our economic development strategy from the mode of development aiming at quantity and speed to a mode of development emphasizing quality and efficiency. In compliance with the demand of the Central Economic Work Conference, we must "strenuously raise the quality and efficiency of economic growth and overcome the tendency of arbitrarily launching new projects and single-mindedly going after a high output value and fast economic growth." In developing the economy, we must devote more attention to restructuring it and raising its efficiency. This way we will be able to reduce the present pressure of inflation and really drive down the rate of price hikes by cutting investment and increasing effective supply, and at the same time, we can improve our economy and achieve sustained, fast, and stable economic development. Apparently this is not a denial of the need for economic development, but a strategy aimed at integrating high quality and efficiency with fast growing speed to develop the economy at a high elevation. Based on the above, our province's basic policy for 1995 economic development should be appropriate retrenchment and effective growth.

II. Financial Problems Versus Structure and Efficiency

Jilin Province is beset with an acute shortage of funds. During the Sixth Five-Year Plan period, the deposit-to-loan ratio was as high as 50-60 percent. During the Seventh Five-Year Plan period, the ratio was still between 46 and 50 percent. With Jilin as a debit-balance province, it is hard to make sufficient funds available within a short time to remedy the shortage. In 1995, while we are trying to achieve effective economic growth under the condition of appropriate retrenchment, the

shortage of funds will remain a relatively striking problem. We must seriously study the basic solution to this problem.

In making practical analyses of economic questions, people often act this way: They attribute poor efficiency to the shortage of funds. As to the shortage of funds, they say it is due to poor efficiency. They argue in a circle and thus confuse the direction for solving the fund problem. According to concrete analyses, there do exist some enterprises that can operate efficiently but have tentatively met with efficiency problems because of the shortage of funds. There are also some enterprises that have long been beset with poor efficiency and have become a "bottomless pit" for pouring money into, resulting in aggravated fund problems. An overall analysis shows, however, that efficiency has a decisive effect on funds, and fund availability influences efficiency, but the root cause of a fund shortage is poor efficiency.

A review of the situation in Jilin Province reveals that the rate of profit and tax revenue in the utilization of capital for independent-accounting enterprises was 13.76 percent in 1986. After that, the rate kept declining. In January-September 1994, it fell to 7.85 percent. That is, 12.74 yuan of capital were needed to generate 1.00 yuan in profit and tax revenue, compared to the previous 7.27 yuan, or an increase of 75 percent. In 1986, every 100 yuan of working funds could generate 45.5 yuan in profit and tax revenue. In January-September 1994, the profit and tax revenue from the same amount of working funds dropped to 9.2 yuan. Put another way, 2.2 yuan were needed to generate 1.00 yuan in profit and tax revenue in 1986; now 10.87 yuan were needed—an increase of 3.9 times. Also quite apparent is the increase in total investment necessitated by the decline in investment efficiency. The ratio of total investment to GDP fell from 1:4.4 in 1988 to 1:2.2 in 1993. This means that in 1988 a total investment of 23 million of yuan was needed to create 100 million yuan in GDP. In 1993 the total investment required was 45 million yuan—an increase of 96 percent. The ratio between the increase in investment and the increase in GDP was 1:3.29 in 1988; it dropped to 1:0.67 in 1993. That is, for an increase of 100 million yuan in GDP, an additional investment of 30 million yuan was needed in 1988. In 1993, the figure rose to 150 million yuan, which was four [as published] times more.

With low efficiency, some enterprises have suffered increased losses and are unable to tackle their fund-shortage problems and continue production. This has forced more enterprises to totally or partially suspend production. These enterprises, on the one hand, have to rely on loans to pay taxes and salaries. As a result, funds intended for production are no longer used for that purpose. These funds cannot be put into the production process, which serves to preserve and increase their value. On the other hand, these enterprises are incapable of repaying their loans. They have become links in the debt chain, impeding the circulation of funds and making the fund problems even more prominent.

As for factors causing low efficiency, one is related to the production of value. The out-of-date equipment, low utilization rate, and high consumption have increased production costs. In 1993, 46 of the 76 material consumption indexes for Jilin's key industrial enterprises were up, while 16 of the 37 equipment utilization indexes declined, compared with the 1990 records. Both the increase in material consumption and the decrease in equipment utilization were rather serious. For example, the electricity consumed in producing each ton of crude oil increased 53 percent. The rate of loss in oil processing jumped 84.8 percent. The consumption of electricity in making each ton of viscose rayon showed a 3.83-fold increase. In the forestry industry, the sawmill lumber-to-log ratio dropped by 8 percentage points. Another factor lies in the realization of value. The low rate of sales of products and the large stockpiles have not only reduced the returns that enterprises could earn, but also slowed down the process of turnover of funds and increased interest disbursement, thereby offsetting the efficiency of enterprise operations. In January-September 1994, the rate of sales out of the output value registered by industrial enterprises in the province fell by 2.13 percentage points from a year ago. The problem of funds tied up by unsold finished goods was serious. In the case of industrial enterprises with a completely independent accounting system, such tied up funds totaled 10.92 billion yuan. This accounted for 14.2 percent of their working funds and was equivalent to about 35 percent of the outstanding short-term industrial loans extended by banks in the same period. The large amount of funds tied up by unsold finished goods obstructed the turnover of funds. For the above-mentioned enterprises, the turnover of working funds dropped to 1.08 times as against 1.28 times for the same period of the previous year.

Increased material consumption reflects the declined quality of technology and equipment and the irrational structure of enterprises. The low sales rate of products is a symptom of the poor marketing work and unreasonable product structure. For this reason, the increasingly serious fund problem is, in the final analysis, a reflection of low efficiency due to irrational structure. Over the past years, we have paid attention to improving efficiency in solving the fund problem, but have not done enough to improve efficiency by adjusting structures. We have not left the track of aiming at speed-oriented efficiency. Practical experience shows that speed-oriented efficiency means a high input and a low output, and using it to solve the fund problem is not only impossible but will hurt us. The fundamental way to solve the fund problem is to pay close attention to structure-induced efficiency. This requires efforts to deepen the reform of the macroeconomic regulatory and control system, speed up the transformation of specialized banks into commercial banks, pay attention to the market, improve the orientation and structure of investment, increase efforts to update and upgrade technology

and equipment, and promote adjustment of the structure of our products, industry, and technology.

III. Positive Side and Crisis of Agriculture

Jilin Province has fairly good natural conditions for developing agriculture. Its average acreage of arable land per capita is about twice as large as the nation's average. Each individual of the farming population has roughly four mu of land, and most of the fields are on Songliao Plain, which is noted for its fertile soil. Under the impetus of reform and opening-up, grain production made three leaps during the 12 years from 1979 through 1990, surpassing 10, 15, and 20 billion kg respectively. Since the start of the Eighth Five-Year Plan period, the annual grain output has maintained a steady growth above the level of 18 billion kg. Since 1983, Jilin's agriculture has led the nation in many aspects, including the average per-capita grain output, the average commercial grain sold by each individual of the farming population, the export of grain, and the per-mu grain yield. This has constituted the positive side of Jilin's agricultural production and made the province one of the nation's major commercial grain-producing areas. Simultaneously with the development of grain production, relatively fast progress has been made in developing animal husbandry and diversified rural operations. In short, agriculture, the foundation of the national economy, has become increasingly solid in our province. On the other hand, however, we should note that along with the positive side of Jilin's agriculture is an agricultural crisis. The real situation of agricultural development in the province is that there are bad things among good things, and that serious destabilizing factors exist latently.

One is the aging of the farmland irrigation works, which cannot effectively prevent and resist natural disasters. Nationwide, spending in support of agriculture and various agricultural operational expenses accounted for 6.8 percent of total financial expenditure in 1980. In 1992, it was 6.1 percent, a drop of 0.7 percentage points. During the same period, the percentage in Jilin Province fell from 14.1 percent to 7.3 percent. Although this was still higher than the nation's average, the decline reached 6.8 percentage points. In the total capital construction investment made by state-owned units nationwide, the share invested in agriculture was 3.3 percent in 1985 and 3.7 percent in 1992. This showed a rise of 0.4 of a percentage point. In Jilin Province, the percentage rose from 2.0 percent to 2.3 percent. Though this showed an upward trend, the magnitude of rise was below the nationwide record, thus widening the gap between our province's figure and the nation's average. What is more, the situation worsened after that. In 1993, our province's spending for supporting agriculture and various agricultural operational expenses declined to 6.7 percent of the total expenditure, and the share of agricultural investment in state-owned unit capital construction investment across the province no longer went up but fell to 1.4 percent from the previous year's 2.3 percent. In

January-September 1994, agricultural investment made by state-owned units in the province dropped further by 63.8 percent, compared with the same period of the previous year. Such investment was only 0.3 of a percent of the total investment made by state-owned units in the province, down by 1.1 percentage points from a year ago. Because of the insufficient input, many farmland irrigation works are out of repair, while construction of new projects has been slowed down. This has weakened our province's ability to resist natural disasters and reduced its reserved strength for sustained agricultural development—an outcome incommensurate with the requirements of further developing our agriculture.

The second factor is the quick rise in the prices of agricultural capital goods and the little room for raising the prices of agricultural products. This has limited the efficiency of agriculture and lessened its self-improvement capacity. During the first three years of the Eighth Five-Year Plan, prices for agricultural capital goods in our province rose 21.0 percent, driving up the costs of agricultural production to a great extent. During the same period, the material consumption for agriculture increased 34.2 percent, or an average 10.3 percent per annum. Meanwhile, the composite price ratio between industrial and agricultural products became unfavorable to agriculture. In 1993, agricultural products used by farmers to exchange for a fixed quantity of industrial products increased 17.0 percent, compared with 1990. This state of affairs made it impossible to achieve a reasonable agricultural efficiency and slowed down remarkably the growth of the net agricultural output value as well as farmer income. Calculated on a current-price basis, during these three years the average annual growth rate was 7.9 percent for the net agricultural output value and 7.5 percent for farmer net income per capita, down by 9.7 and 4.1 percentage points, respectively, compared with the period of the Seventh Five-Year Plan. If we take into account price hikes in rural areas, we will see that our farmers' living standards declined instead of being improved, and their capacity for input into agriculture shrank. In actual fact, this was the case. An example is the amount of chemical fertilizers they applied to each hectare of land, which fell from 630 kilograms in 1991 to 601 kilograms in 1993, showing a drop of 4.7 percent. In 1994, the procurement prices for grain and other agricultural products were raised to a relative big extent. This changed the unfavorable price trend for the development of agriculture, promoted production, improved farmer income, and will continue to have a positive effect on 1995 agricultural production. But it should be noted that our current grain price, adjusted on an equal-quality basis, is already close to that in the international market, and it is also necessary to keep the price basically stable in order to curb inflation at home. This means that there is not much room for a further price raise in the near future. On the other hand, the prices of chemical fertilizers and other major capital goods for agriculture will continue to go up because of rising production costs and insufficient

supply to meet the demand. This is a latent problem we should not overlook in further tackling the efficiency issue and raising the self-improvement capacity of agriculture.

The third factor is that the strained financial situation can hardly meet the requirement for regulating and controlling the agricultural products market. Agriculture has a relatively long production cycle, and due to the effects of weather and other natural conditions, supply of agricultural products may have big ups and downs. To promote the stable development of agricultural production, we must successfully regulate and control the agricultural products market, set up an emergency grain fund against risks, and improve the grain stock system to reduce price fluctuations between bountiful years and poor-harvest years and to ensure stable income growth for farmers. In this regard, the state has exerted great efforts. As for our province, every year we have allotted a large amount of funds as a price subsidy for agriculture despite the strained financial condition. Since 1991, the annual price subsidy has exceeded 20 percent of our total financial expenditure. The amount of our agricultural subsidy rose from 1.75 billion yuan in 1991 to 2.07 billion yuan in 1993. A vast part of the subsidy has been used in connection with grain storage and grain-related operations and as a grain price subsidy. Such a heavy burden is hard for us to bear, judging from our present financial situation. With the development of agriculture, however, if we do not give the necessary guarantee for this price subsidy, we will weaken our ability to regulate and control the agricultural products market, thereby affecting the stable growth of our agricultural production.

The core problem involved in the above three latent destabilizing factors is the low efficiency of our agriculture and the low income of our farmers. The key to developing agricultural production is to increase input. True, the government should increase its input, but essentially, it is necessary for farmers to increase their input. Only when our agriculture has a pretty high efficiency will farmers be enthusiastic about and capable of increasing their input into agriculture and can work of farmland irrigation construction be promoted on an extensive scale. Only then can farmers become more capable of facing natural disasters and market changes and the state able to control its agricultural expenditure within the range of necessary spending.

It follows that how to enhance our sense of crisis in agriculture, raise our agricultural efficiency, and increase farmer income while maintaining the prices of agricultural products at a relatively stable level, is a basic question that we should study and resolve in developing agriculture in 1995 and in the years to come. According to an analysis of the practical situation and from the perspective of an agricultural development strategy, the answer to this question would be transforming traditional agriculture and building a new agricultural economic structure, that is, building a large-scale agricultural structure centering on grain production and

characterized by the all-round development of agriculture, forestry, animal husbandry, sideline production, and fisheries, as well as the primary, secondary, and tertiary industries. To do this, first, we should replace the subsistence-oriented agriculture aimed principally at quantity by a "high yield, fine quality, and high efficiency" agricultural production system focusing on efficiency and guided by science and technology with attention to both quantity and quality. Second, we should reform the management system for the production and circulation of agricultural capital goods. This includes giving price subsidies for items required for agricultural production, rationalizing the prices used in their transactions, and building an agricultural input system characterized by ample supply, few intermediate links, standard operations, and stable prices. Third, we should further reform the small-scale agricultural production system, promote large-scale and two-tier operations as well as township enterprises, develop the dragon-type economies of "companies plus farming households" and "factories plus farming households," and build a grain-processing system and a surplus-labor-reemployment system. Fourth, we should beef up efforts to build rural transportation and communications networks, foster rural markets, develop pre- and post-production services, and establish an information-exchange system that can react quickly and provide as effective operational guidance. By building the new agricultural economic structure and making multipronged efforts to improve our agricultural production environment, raise our level of agricultural production, and enhance our ability to meet emergencies, we will be able to overcome the latent destabilizing factors and give better play to the positive side of our agriculture.

IV. Maintaining a Relatively Fast Industrial Growth, Increasing Enterprise Efficiency

As a main part of the national economy, the industrial sector must keep a relatively fast growing speed. In Jilin, which is an old industrial base area, heavy industries make up a large proportion of the province's industrial economy. In 1993, shares taken up by heavy industries in the province's industry were as follows: output value, 69.3 percent; fixed assets, 80 percent; capital, 77.1 percent; growth in output value, 76.3 percent; and profits and taxes, 81.1 percent. As heavy industries require large amounts of investment, take a long time for project construction, and cannot give quick returns, their development needs large capital input. Such being the case, they are more sensitive and less adaptable to the policy of investment and credit retrenchment implemented by the state. This has added to the difficulty for us of counting on heavy industries in developing our industrial economy. What is particularly noteworthy is that our industrial economy has now deteriorated to the stage where it is relying on only one or two industries, consisting of a few enterprises, to survive. This is highly risky. To change this unstable foundation for industrial economic growth and reduce the risks involved, our industrial development mindset should be: increasing

the number of pillar industries on an extensive scale as a way to accelerate the development of the industrial economy. In this regard, it is necessary to deal properly with the following relationships:

1. Relationship between reform and management in enterprises. The growth of the industrial economy is based on the development of enterprises. To raise the efficiency of enterprises, the most fundamental task is to deepen the reform of state-owned enterprises to bring real change to their operational mechanism. Success in changing the operational mechanism ultimately depends on the establishment of a modern enterprise system, while the core question in establishing such a system is the reform of the property rights system. This is a very hard and demanding task. We must act according to the demands of the Central Economic Work Conference, take the whole situation into consideration, and make overall plans. We must select some enterprises as pilot units and sum up and popularize their experience to other enterprises step by step. In the course of reform, enterprises should improve their management—a task of improving themselves from within—and uphold the idea of raising efficiency by streamlining management. While continuing to improve the incentive mechanism to fully arouse employee enthusiasm about production and raise labor productivity, enterprises should reinforce self-restraint mechanisms, strengthen financial supervision, tap potentials, stop up all loopholes, minimize waste, and boost their competitiveness in the market.

2. Relationship between big and small enterprises in developing the economy. We should continue to give play to the backbone role of big enterprises and develop conglomerates through amalgamation and joint operations. We should see to it that the technology and management experience of big enterprises are quickly spread, existing economic growing points are braced up, and new ones are fostered. Meanwhile, we should give all-out support to those medium and small enterprises that operate with high efficiency and have a bright future to speed up their development. Our goal is to form an enterprise community based on mutual benefit with big enterprises at the core, characterized by the simultaneous development of big, medium, and small enterprises.

3. Relationship between products and industries in structural adjustment. We should act in line with market conditions, carry out a "brand-name products" strategy, and pay particular attention to adjusting our product mix as a way of leading to the adjustment of our industrial structure and the upgrading of our industry. All economic levers should be used to adjust the allocation of resources to facilitate the manufacture of readily marketable products, the development of new products, and the application of successful research results in science and technology. We should see to it that our product mix and industrial structure are compatible with changes in market demands.

4. Relationship between production and marketing in the reproduction cycle. We should gear production to market conditions, make positive efforts to develop and manufacture those products that are readily marketable at home and abroad, and ensure that production plans are dictated by sales. Meanwhile, we should go all out to beef up our marketing efforts, broaden the avenue for promoting sales, and enlarge the market share of our products with a view to better coordinating production and sales, reducing stockpiles, quickening the turnover of funds, and achieving higher efficiency in the utilization of capital.

V. Strengthening Macroeconomic Regulation and Control, Perfecting Market Mechanism

Under the condition of the socialist market economy, if we are to raise quality and achieve an effective growth of our national economy, we must give full scope to the market's fundamental role in the allocation of resources. The market mechanism in the allocation of resources requires the use of the price mechanism and competition in distributing resources according to changes in market supply and demand so that resources will go to those places and links where they are required by society and where they can be used effectively. The market mechanism will facilitate the rational flow and utilization of resources and assist in the realization of the value of commodities. It is the most economical mechanism for raising the returns and efficiency of economic operations. The more improved this mechanism, the more prominent the effects on the market produced by the state macroeconomic regulation and control, and the more effective a role the market can play in solving the contradictions and problems arising in economic development.

To improve the market mechanism, we should, first of all, develop the market. Since the commencement of the reform drive, Jilin Province has taken rather quick steps in building its market system. Over the past few years, while consolidating and developing the commodity market, we have fostered a series of principal-element markets, such as financial, science and technology, personnel, labor, real estate, and property rights markets. Up to the end of 1993, there were 2,495 markets of various descriptions in the province, and the number rose further in 1994. Generally speaking, both the number and categories of our markets have increased considerably, and their organization and scale have expanded quickly—that is, their extensive growth has been relatively fast. However, the extent of intensive market growth has been inadequate. First, sales on the market have grown only slowly. During the first three years of the Eighth Five-Year Plan period, retail sales across the province increased 16.6 percent on the average, which was 2.9 percentage points below the average GDP growth, i.e., 19.5 percent, for the same period (in terms of current prices). Second, imbalance has existed between urban and rural areas in the development of markets. The first three years of the Eighth

Five-Year Plan period witnessed a rather big growth in retail sales in cities and towns. The average annual growth rate of retail sales was 20.2 percent, while the rate for 1993 reached a hefty 26.7 percent. In contrast, the growth of retail sales in rural areas shrank remarkably during these three years, the average annual growth rate being 6.7 percent. In 1993, the rate fell to a mere 0.6 of a percent. Third, the state-owned commercial sector, which plays a leading role in the market, has insufficient reserve strength for sustained development. During the first three years of the Eighth Five-Year Plan period, the retail sales growth rate of the state-owned commercial sector in the province dropped from 16.6 percent in 1991 to 16.2 percent in 1992 and nose-dived to 7.9 percent in 1993. This formed a sharp contrast with jointly operated and individually owned businesses, whose retail sales growth rate climbed each year during the same period. Fourth, the market structure is not sound. Not only do specialized and wholesale commodity markets lack enough reserve strength for sustained development, but the development of markets for productive elements was remarkably slow. In view of this, our present emphasis in fostering markets should be shifted to stimulating the intensive growth of the markets, boosting their functions, and raising the level of their operations.

In the first place, we should further affirm the status of state-owned commercial enterprises as one of the main players on the market. We should also do well in diversifying the main players on the market—a task fundamental to developing the market. Without diversified main players on the market, there will be no competition and no active flow of goods, the commodity-exchange relationship between production and sales cannot be developed to the full, and the market's role in propelling economic operations will be limited. Through years of reform, a market pattern with diversified main players has gradually taken shape. In some aspects, however, state-owned commercial enterprises are still restricted by the old system, and their status as a main market player has yet to be fully affirmed. They cannot really operate according to their own decisions and take responsibility for their own profits and losses as in the case of jointly operated and individually owned businesses. For this reason, they are, in practical terms, in an unfavorable situation to compete in the market, leading to the dwindling of the state-owned commercial sector and the loss of state assets. Also, the weakening of the competitiveness of the state-owned commercial sector is not conducive to normal market competition and the sound market development. In diversifying the main market players, if our reform in the past was aimed principally at breaking the monopoly of the state-owned commercial sector as the sole commodity supplier on the market, now that all other economic sectors have entered the market as main players, we should take it as our major task to consolidate the main-player status of the state-owned commercial sector. Only when we have further

deepened reform of the state-owned commercial enterprises and enabled them to truly change their operational mechanism and become a main market player operating according to their own decision and taking responsibility for their own profits and losses, can the state-owned commercial sector boost its vitality, correct its present state of having real strength but lacking competitiveness, play to the full its leading role on the market, and stimulate the improvement of efficiency in market operations.

Second, we should expand specialized and wholesale markets to enlarge the scale of operations of commodity markets. The full development of commodity markets is the foundation and premise for building and perfecting the market system. It is just unthinkable that we would be able to accelerate the development of our markets for various productive elements when our commodity markets are relatively underdeveloped. Now, there is a relatively large-scale and comprehensive commodity market system in our province; however, many of our commodity markets are operating on a comparatively small scale and unable to serve the needs of a large area. In addition, their information is inadequate, costs are high, and there is a lack of a self-expanding ability. This points to the need to continue promoting the specialization of our markets and expanding the scale of their operations in line with our local resource conditions and the nationwide requirements for large-scale marketing and circulation. We should speed up the development of wholesale markets and enhance the ability of both specialized and wholesale markets to facilitate the flow of commodities. This is the only way to expand the area served by each market, effectively tap market potentials, promote the development of rural markets, and link our province's markets with those in other provinces and overseas.

Third, we should quicken the pace of building markets for various productive elements with a view toward a balanced development of all kinds of markets. For our commodity markets to guide production, there is inevitably an objective requirement: the reallocation of productive elements. To meet this requirement, there must be productive-element markets that can accommodate the free flow and rational allocation of productive elements. Otherwise, the underdeveloped productive-element markets will hamper the functions of commodity markets. Now, we are obviously lagging behind in building productive-element markets. This state of affairs has an adverse effect on the pooling and optimal utilization of funds, the translation of research results in science and technology into productive forces, the effective enlargement of employment, and the raising of labor efficiency. It has thus become a "market bottleneck" in our economic development. For this reason, while continually developing commodity markets, we should speed up the building of productive-element markets in an effort to promote the balanced development of all

kinds of markets. This is the way we should choose in order to optimize the structure and enhance the functions of our market system.

To perfect the market mechanism, another thing we should do is to set a sound market standard. Major tasks in this regard are strengthening the related legal system, perfecting market regulations, defining government responsibility and methods for regulating and controlling markets, standardizing enterprise activities with regard to competition and pricing, and creating an environment for enterprises to compete fairly, justly, and openly. Only when market development and market rules are integrated into an organic whole is it possible to guarantee the sound operation of the market economy.

***Article Views Liaoning's 'Grand Trade Strategy'**

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[Article by Wang Zhiqiang (3769 2535 1730): "'Proposing a Grand Trade Strategy, Building a Grand Trade Layout'—Review of Liaoning's Implementation of a Grand Trade Strategy"]

[FBIS Translated Text] During the period 1991 to 1992, Liaoning very systematically laid out its idea of a grand trade strategy and has used this to oversee its foreign trade practice. After several years of effort, the province has made initial achievements.

Proposing a Grand Trade Strategy

Liaoning proposed a grand strategy for trade and made it the leading thought for the development of its economic foreign trade, giving it a scientific foundation.

Proposal of a grand trade strategy was an objective requirement of Liaoning's self-development of foreign trade.

Liaoning province is one of China's important coastal provinces for opening abroad. In 1988, eight cities and 16 counties on the Liaodong peninsula were approved by the State Council as an economic development zone. As the Liaodong peninsula has opened to the outside, and there has been continuous further reform of China's foreign trade system, Liaoning's foreign trade economy has been confronted with the very real problems of how to develop Liaoning's foreign trade economy, where Liaoning's foreign trade industry fits in the province's economic development, and how it will function. It is precisely this sort of reality that calls for the a new theoretical concept as our guiding thought.

Proposal of this grand economic trade strategy reflects the realities of international economic trade. It summarizes international economic trade practice.

First, looking at the developing realities of international trade, major trade has become the number one trend in the world's economic development. It is manifested first in expansion of international markets. Since World War

II, with reform of new science and technology and further development of international specialization, the world's economies have become more integrated, leading to globalization of world markets. Second is expansion of trading areas. In the trend to internationalization of the world economy, nations are becoming increasingly co-dependent for their own economic development, so that international trade now covers almost all economic areas. Third is a growth in the forms of trade. Expansion of the trading area has led to the pre-World War II form of single-commodity trading to change into the current multiple forms of international commodity trade, international technology trade, international investment, international labor trade, etc. Fourth is the pluralization of trade forms. Given the expansion of trading areas and the increase in number of forms, the forms of trade have tended to pluralize. Fifth has been the internationalization of trading entities. To suit this international grand trading structure, the transnational corporation has developed into the principal entity in international trade. At present, about two-thirds of the international market is monopolized by transnational corporations.

Second, looking at international trade practice, grand trade has become our practical activity. The internationalization and integration of the world's economy has determined that China's foreign trade is an essential, integral component of the world's trading system. China's foreign trade also basically reflects the characteristics of trading internationally.

Prior to the implementation of reform and opening, China's forces of production were at a low level. The policy of isolating ourselves from the outside, combined with the state's high monopoly of foreign trade and limited development of foreign trade. The foreign trade of that time was not a bridge for strengthening connections with the international economy and participating in international specialization, but was a means of "adjusting surpluses or shortages." Therefore, the content, forms, and methods of foreign trade were all singular. Since conducting reform and opening, China's foreign trade has entered a major development period. With the expansion of foreign trade and further reform of the foreign trade system, there has been rapid development of our foreign-oriented economy, and this has promoted the development of foreign trade. Since conducting reform and opening, the national export volume has maintained an average growth rate of 16 percent; this pace was higher than both the average annual growth of GDP and the growth rate of world trade for the same period. In 1993, China's gross import and export volume was \$195.8 billion. China jumped from 32d in world trade in 1978 to 11th in world trade. China's gross exports were \$91.8 billion, which is 9.42 times that of the \$9.75 billion in 1978. China's share of gross exports in the world's export trading increased from 0.75 percent in 1978 to 2.5 percent in 1993. China is approaching the world's trading giants.

In the 1950s, Liaoning Province's major export targets were the Soviet Union and Eastern European nations. In 1960, the port of Dalian opened and officially started trading to the outside. That year's gross exports were \$15.4 million, and during the nearly 20 years from then to the Third Plenum of the 11th CPC Conference, exports were about \$60 million. After the Third Plenum, Liaoning's foreign trade entered a new phase of development. By the end of the "Sixth Five-Year Plan," local product exports were up to \$1.04 billion, and during the term of the "Seventh Five-Year Plan," local product exports increased by an average 19 percent annually. In 1993, provincial local products exports reached \$4.256 billion, an increase of 8.5 percent over the year before. While foreign trade increased rapidly, its content became increasingly rich, and multiple forms of trade developed, such as commodity trade, technology trade, labor trade, and international investment, etc. In addition, the number of departments engaged in trade increased. Besides the existing foreign trade corporations, there are also production enterprises, three forms of capital enterprises, scientific and research departments, and some others. Foreign trade is developing from the previous single content, narrow channel, low level form into a new pattern which combines commodities, capital, technology, labor, etc., and is mutually promoting. In fact, China's foreign trade development has shown the preliminary forms of grand trade.

Based solely on the objective demands of foreign trade development, after studying and analyzing the realities of current international trade development and China's foreign trade practices, Liaoning proposed a grand trade concept and continually improved this idea. It has made this concept the guide for development of Liaoning's foreign trade.

In early 1991, the Liaoning Provincial foreign trade bureau of that time declared that foreign trade requires dismissing the existing ideas of "single unit operation" and "purely doing business" based on studying the experiences of Asia's "four little dragons," countries which are booming through trade. Also, in keeping with the demand of Liaoning's provincial committee and government that reform be accelerated and Liaoning's economy be taken to a new level, the province established the grand trade idea of developing trade, industry, agriculture, and science together, to take full advantage of foreign trade as the driving force of economic development. It also takes the grand trade idea as the supervising idea in the provincial trade industry.

At the beginning of 1992, after Deng Xiaoping made his speech, China proposed a new session of the thought liberation campaign, and economic theory has made new breakthroughs. It began by setting out the socialist market economy concept. The 14th CPC Congress clarified that China's reform goal was the establishment of the socialist market economic system, and the Third Plenum of the 14th Congress specified this reform goal, sketched the basic framework of the socialist market

economy, and proposed a systematic socialist market economic theory. In order to implement the spirit of the CPC Third Plenum of the 14th Congress, with further progress in foreign trade system reform, based on analysis of the situation and mission confronting its foreign trade, Liaoning supplemented the grand trade idea, and issued its own grand trade strategy at the end of 1992.

Principal Content of the Grand Trade Strategy

(1) Major Economic Ideas

The grand trade idea proposed in 1991 is a view of economic theory which suits the development of Liaoning's export-oriented economy. In general its content has five main points:

First, insist on increasing the growth of Liaoning's GDP through foreign trade. Through exports, let production deal with "two markets" to guarantee the successful process of the reproduction procedure. Through exports, obtain better profits and increase the gross domestic value.

Second, propose a bidirectional service for foreign trade and production enterprises, breaking through the barriers of blocs, factions, and departments, strengthening the links among trade, industry, agriculture, and technology. We can strengthen our ability to participate in international market competition only when we truly implement economic association widely across regions, trades, and departments. In this way we will vigorously develop trade export groups, establishing and developing an export-oriented economic organizational system and operating mix to form group superiority in science, trade, and industry.

Third, through regulation of the export commodity mix, promote the improvement of the province's industry and products mix and the level of production facilities. This requires that manufacturing enterprises be guided by the international market, by pioneering scientific and technical advances through importation of advanced technology, facilities, capital, and management experience. This will accelerate renovation to improve the quality and class of products, strengthen the competitiveness of products, and further expansion of exports to promote perfecting the provincial industrial mix and improving the overall quality of the domestic economy.

Fourth, bring into play the foreign trade department and enterprise superiority in markets, customers, information, intelligence, and operations; propose links between foreign trade and foreign economies; and help other various kinds of foreign trade enterprises get into the international market as soon as possible. This requires stimulating their enthusiasm for exporting and earning foreign exchange, which will accelerate Liaoning's construction of a foreign-oriented economy.

Fifth, explore and broaden the multi-element international grand market. This must suit the demands of

developing a foreign-oriented economy, while consolidating the existing market. We must vigorously create new markets, as well as establish a reasonably distributed international marketing network with wide coverage and information and service networks to develop transnational operations. Associate production more closely with the international market, fully bringing in the international market's function of leading and regulating the province's economic grand development.

In order to carry out the grand foreign trade idea, at the same time we set forth the grand foreign trade, we also established the specific principle of the "five stresses and five services." These are: stress regulating the export commodity mix, thus serving to regulate the provincial industrial and product mix and invigorate the older industrial bases; stress improving the quality of export commodities and introducing advanced management experience, thus serving to improve the management quality and economic efficiency of enterprises; stress establishing an international market information, marketing, and service network, thus helping enterprises to face the two markets and take advantage of the two kinds of resources; stress commodity base construction, thus promoting provincial export production and a booming rural and urban economy; stress bringing into play the main channeling role of specialized foreign trade and industrial trade corporations, thus serving to help open up exporting and earning of foreign exchange by cities and large and medium-sized enterprises.

The grand trade idea and measures play a very important role in smoothing the foreign trade system, expanding exports, creating foreign currency, and promoting development of a provincial open economy. However, as the situation develops, the grand foreign trade idea needs further improvement. Therefore, on the foundation of the grand foreign trade idea, grand economic and trade strategic thinking was proposed.

(2) Grand Economy and Trade Strategic Thinking

We know that all theories are born from practice; at the same time, the process of practice continually improves and develops. From grand foreign trade to a grand economy and trade is just a further understanding in our development of foreign economic trade.

What we refer to as grand economic and trade strategy is that pioneered by foreign trade, that is, developing foreign trade, foreign capital and the foreign-oriented economy together, letting commodities, capital, technology, and labor cooperation and communication mutually integrate, mutually promoting themselves with coordinated development. Explore a multi-element international market to bring about the complete linkage of domestic and international markets, letting the Liaoning economy become an important component of the international specialization system, driving the provincial system to accomplish a transition by mixing regulation and economic development. There are basically three layers of meaning to this strategy:

First, it clarifies the relationships among foreign trade, foreign capital, and a foreign-oriented economy. These three parts are mutually dependent, mutually promoting, and an indivisible organic whole. Among them, foreign trade is the lead while foreign capital and a foreign-oriented economy are the foundations. Only if we unify the "three foreigners" in the grand economic and trade strategy can the "three foreigners" mutually promote and develop together, thereby enabling us to speed up the transformation of Liaoning's old industrial base and accomplish opening in all directions.

Second, take as the goal of grand economic and trade strategy the exploration of multi-element international markets and bring about the total connection of the two markets. This is an important principle for developing our foreign trade and economy. It suits both the developmental trend of the integrated world economy which now exists and the requirements of China's socialist market economic development.

The primary reason that developing countries are not developed is that their domestic markets are incomplete, not connected with the international market; this market isolation causes such phenomena as an unreasonable economic mix, a low level of specialization, unsatisfactory labor productivity, a serious waste of resources, backward science and technology, etc., making it difficult to achieve economic modernization. Therefore, to achieve modernization, Liaoning must totally connect with the international market.

Third, we have clarified the ultimate role of the grand trade and economic strategy, which allows Liaoning's economy to become a component of the international market, thereby bringing with it transition of the domestic system, mix adjustment, and economic development. To be specific, Liaoning is adhering to promoting reform by opening, taking accomplishment of comprehensive opening toward the outside and building the open economy as a major channel for the change from the planned economy to a market economy. Liaoning is adhering to promoting innovation by opening; developing joint venture and cooperative enterprises in a variety of forms; introducing foreign capital, technology, and systems; and accelerating technical innovation in state-owned large and medium-sized enterprises. Liaoning is adhering to promoting regulation by opening, adjusting the export product mix and expanding foreign capital use by improving export product quality and the export product mix, and raising the use level of foreign capital to push the perfection and upgrading of the province's economic mix. Liaoning is adhering to promoting development by opening, vigorously developing high-tech industries, export-oriented tertiary industries, and agriculture that earns foreign currency, as well as township enterprises, thus promoting the growth and development of multiple new growth spots to achieve the goals demanded by "secondary renewal."

The foregoing is the process by which the grand economic and trade strategy came about and its main content.

The Implementation Process of the Grand Trade and Economic Strategy and Its Initial Achievements

When implementing the grand economic and trade development strategy and building the new grand economic and trade structure, the Liaoning Foreign Trade Bureau concentrated for the most part on the following aspects of the work:

(1) First of All, Emphasize Upgrading Knowledge and Changing Concepts

In converting any sort of theory to actual practice, the initial step must be making people understand and grasp the theory. In order to implement the grand economic and trade strategy, the Liaoning Foreign Trade Bureau made upgrading and changing knowledge the number one priority. In further studying and implementing Comrade Deng Xiaoping's important speech made during his inspection of southern China and the spirit of the party's 14th Congress, it linked practical thinking with work, gave wide publicity in a variety of ways to the idea of the grand economic and trade strategy, and let the masses of cadres and employees become familiar with and grasp the idea of the grand economic and trade strategy. Meanwhile, according to the practical circumstances of Liaoning's foreign trade work, it specifically proposed the objective of accomplishing the "seven strengthenings," "seven overcomings," and "seven changings."

These are: One is strengthening awareness of grand economic and trade, overcoming narrow departmental concepts, and changing from a situation of sole reliance on foreign trade departments to work on the economy and trade for every industry and the state to one in which the collective and individuals work on foreign trade together to form the "big atmosphere" in which the whole of society proposes foreign trade and a foreign-oriented economy. Two is strengthening awareness of the grand market by overcoming traditional and customary regional concepts and changing from relying solely on existing relationships, existing clients and channels to exploring markets which combine existing and new developments, with a stress on focal points to form multichannel, multilevel, multiform, and omnidirectional exploration of international markets. Three is strengthening awareness of winning by quality, overcoming short term operational behavior, and changing from temporarily dominating markets through cheap prices and low class to long-term market dominance through quality and reputation. Four is strengthening awareness of comprehensive operations, overcoming the sole foreign trade form, and changing from single to multiple operations with one industry at the core. Five is strengthening awareness of people of intelligence, overcoming the narrow conceptions of intelligent people, and changing from selecting intelligent people based on

departments and work units to selection based on the international market and foreign trade work. Six is strengthening awareness of information, overcoming the problems of ignored information and isolated information, and changing from grasping whatever is handy for immediate and unsystematic usage to making information constant, regulated, networked, and internationalized. Seven is strengthening awareness of management being a service, overcoming the problem of too many measures of tight control and too few measures for managing flexibly, and changing from direct management of enterprises by administrative means to a concentration on macroregulation, using policies well, sufficiently, and flexibly, and doing a good job of service.

In recent years, by continually liberating thinking, upgrading ideas and strengthening new concepts, cadres and employees in the province's foreign trade work units have basically suited the objective requirements of developing the socialist market economy and the new requirements facing foreign trade work. This has laid a definite ideological foundation for implementing the grand economic and trade strategy, established a new pattern for the grand economic and trade strategy and rapidly developed Liaoning's foreign economy and trade.

(Two) Adhere To the Principle of "Five Emphases and Five Services"

In implementing the grand economic and trade strategy, Liaoning has all along made the "five emphases and five services" important contents of the grand economic and trade strategy. Liaoning has done a great deal of work on this in recent years, which can be summarized as follows:

First, introducing foreign capital, introducing advanced technical facilities, and accelerating technology upgrading in the province's industrial enterprises. This works chiefly in two ways: One, it takes advantage of the superiority of the Foreign Trade Bureau going directly into manufacturing enterprises to conduct inspections and study technology upgrading projects; after confirmation, the Foreign Trade Bureau will first take a portion of the capital to assist enterprises in importing advanced technical facilities and carry out technology upgrading. Another way is to introduce foreign capital to conduct "grafting" to achieve technology upgrading in enterprises. By the end of 1993, the province was operating a total of 2,495 "grafted" enterprises with a total of \$5.65 billion in investment capital, including 395 big and medium-sized enterprises with total investment capital of \$1.9 billion.

Second, linking manufacturing enterprises to organize and build trade export groups for strengthening enterprise and product competitive abilities in the international market. In building their "three modernizations," while strengthening construction of self-affiliated manufacturing enterprises, foreign trade companies must also pay attention to bringing their own superiority into play, and strengthen the links between trade and industry,

trade and agriculture, and trade and technology. This leads and organizes manufacturing enterprises to develop new varieties of products, introduce new technology, and expand marketing channels, and thus gradually developing into export trade groups or associations which are headed by foreign trade corporations, led by the international market, and linked by profits. They combine trade, industry, and agriculture; integrate production, supply, and marketing; take advantage of group superiority and combined roles to unite toward foreign countries; and improve the competitive ability to participate in international market competition and promote development of the foreign oriented economy. By the end of 1993, it had established 16 enterprise groups.

Third, hosting export commodity industry and trade negotiation meetings, bringing about local economic growth. Since April 1991, foreign trade and economic departments have altered the official business practice of waiting for goods to be delivered to the door, and has gone actively into localities to host commodity negotiation meetings in each city, which serves to spur local economic growth. For example, in 1991, Liaoning's enterprises were facing serious conditions of market recession, so in order to help enterprises get out of this difficult situation, the provincial foreign economic and trade departments organized each specialized foreign trade corporation with a total of over 1,400 people (times), and went to the 11 cities of Anshan, Fushun, Dandong, Yinkou, Benxi, Fuxing, Jingzhou, Huludao, Panjing, Tianling, and Haicheng to host export product industry and trade negotiation meetings. This assisted local manufacturing enterprises resolve their capital difficulties, and increased by more than 4 billion yuan the purchase of goods sources. Out-of-plan orders totaled more than 1 billion yuan, and nearly 100 new export commodities were developed. This saved a group of manufacturing enterprises which had been facing bankruptcy, and played a promotional role in spurring local economies and regulating the product mix.

Fourth, persisting on walking on two legs, they enthusiastically supported various kinds of foreign trade enterprises in squeezing into the international market. While putting stress on Liaoning's specialized corporate exports, the province's economic and trade departments were active in helping industrial and trade corporations, local trade corporations, coastal opening cities, and manufacturing enterprises with export operating licenses to expand exports, thus increasing their operational ability. They have adopted various methods to help resolve difficulties concerned with the plan, including shortages of licenses, shortages of capital, tax refunds, overseas visits, etc. While helping them to do well in export self-operations, they enthusiastically did their best as export agents, introducing clients and the market to supply information and training specialized talent for them. In this way the entire province exports like a game of chess, with each kind of foreign trade enterprise mutually promoting and developing together.

(Three) Proposing the Grand Economic and Trade Strategy, Building the New Grand Economic and Trade Structure

Building a new structure for Liaoning's trade and economy is an objective requirement for establishing an open economic system and the strategic target of the grand economic and trade plan. In recent years, on building a new structure, Liaoning has quite completely proposed each item of work, and after much effort, we should say that Liaoning's grand economic and trade structure has formed its initial shape. It shows up chiefly as follows:

First, the pluralization of foreign trade subjects. Since the implementation of reform and opening, with further progress in reform of the foreign trade system, there have been fundamental changes in the situation in which a few specialized foreign trade corporations engage in foreign trade subjects. The state has gradually released export operational rights to localities, departments, and large and medium-sized manufacturing enterprises, so a large group of local comprehensive foreign trade corporations, industry and trade corporations, and large and medium-sized manufacturing enterprises have all gone directly into the international market. Add to this the development of "three capital" enterprises, and the entire subject of foreign trade has undergone changes. Based on the development of this situation alone, Liaoning proposed the grand economic and trade strategy, smashing the idea of "sole operation" by foreign trade corporations and the backward idea of purely doing trade. They established a grand economic and trade concept, which integrates foreign trade, production, science and technology, finance, etc., setting forth the concept of joint activation of the "three foreigners," that is, the development of foreign trade, foreign capital, and a foreign-oriented economy together. It makes foreign trade, foreign capital, and a foreign-oriented economy function as one, infiltrating mutually and promoting mutually, developing together. This accelerated the construction of Liaoning's open economic system and further widened the scale of globalization of the domestic economy. After several years of development, it has formed a major team for exports and creating foreign currency that is headed by specialized foreign trade corporations. These include as main subjects industrial and trade corporations, local trade corporations, foreign oriented project contracting corporations, large and medium-sized enterprises with self-export operational rights, "three capital" enterprises, and township enterprises. Liaoning now has nearly 120 foreign trade corporations of various types, nearly 200 manufacturing enterprises which have self-foreign trade rights, and over 1,500 "three capital" enterprises involved in export operations.

Second, pluralizing the content of foreign trade. In carrying out the grand economic and trade strategy, at the same time they are stressing the vigorous development of commodity trade, Liaoning is working hard to

explore international technology trade, international investment, and the international labor trade market, and has obtained significant results. Statistics show that in the first half year of 1994, in technology exports the province concluded a total of nine facilities export contracts for various kinds of technology with capital in the amount of \$57.852 million, an increase of 5 percent over the year before. In foreign oriented project contracts and labor cooperation, the province signed a total of 199 contract labor cooperation contracts for \$280 million, which was 93 percent of the year's plan and an increase of 35.6 percent over the previous year; it has 13,801 people working as laborers outside of the country. In international investment, by the end of 1993, it had 203 enterprises investing overseas, with a cumulative investment capital of \$140 million, which included over \$64 million in capital from our side. These developments have altered the original unitary form of foreign trade, giving foreign trade the content of the grand economic and trade scheme.

Third, pluralization of international market components is one important component in carrying out the grand economic and trade strategy, that is, exploration of the multi-element international market. Liaoning set out as a strategic goal standing by Northeast Asia, consolidating the traditional markets in Europe, the United States, Japan, Hong Kong and Macao, while enthusiastically developing the new market areas of Latin America, the Middle East, Africa, the Confederation of Independent States, Southeast Asia, South Korea, and Australia. After several years of effort, the structure of multiple element markets is on a primary scale. The province has established an economic and trade economy with more than 140 countries and areas with as many as 10,000 clients.

Fourth, grouping the enterprise organizational mix. Grouping the enterprise organizational mix is demanded by participation in international competition and is also one component of carrying out the grand economic and trade strategy. In recent years, no matter whether foreign trade enterprises or manufacturing enterprises, there have been new developments in grouping enterprises. On the one hand, foreign trade enterprises have carried out reform of their internal systems, while on the other hand, they have organized and established various kind of trade export groups, improving the competitive ability of enterprises in the international market.

Led by state policy, a group of manufacturing enterprises have entered into an equal and voluntary association, consisting of foreign-oriented enterprise groups which cut across regional and trade lines. These groups have import and export operations rights, and participate directly in international competition. Some examples are the Hualu Group of Dalian, the Dongyao Group of Shenyang, and the Golden Cup Automobile Group. The establishment of manufacturing enterprise groups has brought group and comprehensive superiority into play, strengthening the ability of enterprises to compete in international markets.

Overall, the development of enterprise groups is an important symbol of the formation of the new grand economic and trade structure.

Fifth, the rapid development of the three capital enterprises. Developing three capital enterprises is an important strategic task in building the grand economic and trade structure. In the last two years, Liaoning has accelerated its development of three capital enterprises. So far, Liaoning has a cumulative total of nearly 20,000 foreign investment enterprises in operation, with a total of over \$20 billion invested, over \$10 billion in foreign investment agreed upon, and nearly 4,000 "three capital" [quotation marks as published] enterprises that have started business. The three capital enterprises have brought lots of vitality to Liaoning's industrial technology, management, production ability and operational skills. It has also replaced some duplicative import products in some high-tech product areas. Meanwhile, it has furnished certain conveniences for expanding Liaoning's product exports.

In addition, there have been new developments in the construction of open model zones. There are now more than 20 development zones of various types in Liaoning which have received state and provincial approval. The development of the role of these zones has been a "window" and driving force in the province's construction of a foreign-oriented economy. Driven by state and provincial level developing zones, a group of industrial and trade zones and commercial and trade zones are also developing in the townships and are full of vitality. Most of them are exploiting their own superiority, attracting foreign investment through higher efficiency and a sincere spirit of cooperation, and the speed and scale of this development have been inspiring.

Generally, the implementation of the grand economic and trade strategy has promoted Liaoning's gradual formation of the new grand economic and trade structure, and the grand economic and trade structure has propelled Liaoning's development of foreign trade, and brought power to the development of the provincial economy. Since 1989, Liaoning's foreign trade and exports have been growing by 20 percent annually, surpassing the growth rate of the GDP. The domestic economy's degree of reliance on foreign trade (the proportion of net total export and import in the GDP) is 40.6 percent. A rough calculation is that every \$100 million in industrial products exported can provide job opportunities to 12,000 people. In 1991, the provincial export product output as a proportion of industrial production output broke through the 10 percent mark for the first time; about 6 percent of 1993 industrial growth was driven by foreign trade.

Although Liaoning's proposal of the grand economic and trade strategy was one of the earliest nationally, it has not been in existence for long. Speaking of the grand economic and trade strategy itself, there is a process for continual improvement built into the practice, and for

Liaoning's foreign trade work, developing circumstances will cause the appearance of many new situations and many new problems requiring resolutions. Although we have some achievements, we are far from our proposed developmental goals. Now, the grand economic and trade strategy has become China's foreign trade and economic development strategy. We must study this strategy further and carry it out further, trying to do a better job in our foreign trade work.

Northwest Region

Gansu Rural Labor Force Moving Into Nonfarming Sector

HK2403102295 Lanzhou Gansu People's Radio
Network in Mandarin 2300 GMT 9 Mar 95

[FBIS Translated Text] The province's rural labor force is moving to the nonfarming sector at an noticeably accelerated pace, and its cultural quality has been further improved.

According to statistics released by the provincial statistics bureau, Gansu had 6.7 million workers in primary industry at the end of last year, a reduction of 80,000 workers compared with the previous year. At the same time, the number of workers in secondary and tertiary industries increased rapidly. In rural areas, the province had 670,000 workers in secondary industry, or 60,000 workers more than in the previous year, and 1.3 million workers in tertiary industry, or 120,000 workers more than in the previous year. The labor force engaged in secondary and tertiary industries constituted 22.75 percent of the province's total rural labor force.

In addition, the cultural quality of rural labor force was further improved. The province had more than 2.5 million workers who were illiterate or semiliterate, a drop of 170,000 workers from the previous year.

Ningxia's Yinchuan Hi-Technology Zone Expands

OW3003040895 Beijing XINHUA in English 0149
GMT 30 Mar 95

[FBIS Transcribed Text] Yinchuan, March 30 (XINHUA)—The Guangxia Disc Technology Corporation Ltd. located in the Yinchuan hi-tech zone sold all of the 10.5 million computer discs it turned out in 1994 on domestic and international markets.

Guangxia is one of the 430 enterprises in the zone in the capital of the inland Ningxia Hui Autonomous Region which have successfully developed themselves enjoying all sorts of preferential treatment.

These enterprises, 45 of which involve overseas investment, scored a 52.9 percent growth in industrial output value and a 108.9 percent increase in exports in 1994.

To promote hi-tech development, the regional government has taken measures to improve taxation, finance and other services in the zone and help raise the efficiency of these enterprises.

The preferential policies have also made it possible for the enterprises to benefit from the inventions of the region's scientific research institutes and schools of higher learning.

The regional government has decided to allocate three million yuan (352,900 U.S. dollars) each year starting from this year to set up a hi-tech development fund.

Summary of Qinghai 1994 Anticorruption Results

HK2803124995 Xining Qinghai People's Radio Network in Mandarin 2300 GMT 15 Mar 95

[FBIS Translated Text] Discipline inspection and supervision organs at all levels in Qinghai Province have conscientiously carried out self-discipline regulations for cadres at the county and bureau level, resolutely investigated and handled discipline-violation and law-breaking cases, actively put into practice comprehensive measures for checking malpractices, and achieved results in the anticorruption struggle.

In accordance with the relevant requirements set forth by the Central Discipline Inspection Commission and the Central Organization Department, last year the provincial party committee, the standing committee of the provincial people's congress, the provincial government, the provincial committee of the Chinese People's Political Consultative Conference [CPPCC], the party committees and governments of the eight prefectures and the prefectural-level city, the leading bodies of the 76 provincial-level departments, committees, and bureaus and the 15 prefectural-level enterprises and institutions, all held meetings to examine their style of work in order to exercise anticorruption self-discipline. Taking part in these activities were 25 provincial-level party and government leading cadres, 613 prefectural-level and departmental-level leading cadres with CPC membership, and over 9,000 leading cadres at the bureau level.

At the same time, the discipline inspection and supervision organs at all levels throughout the province more intensively investigated and handled cases and increased the number of major and serious cases being handled. In 1994, these organs received more than 6,000 accusations from the masses, an increase of 33.3 percent over the previous year. Among these cases, the facts of more than 2,500 cases were verified and examined, 602 cases were placed on file for investigation, 448 cases were wound up, party discipline actions were taken against 265 people, administrative discipline actions were taken against 258 people, and 48 people were brought to justice. Among cadres being punished, there were 32 at the county and bureau level and five at the departmental level. The investigations also retrieved 5.4 million yuan to make up for the state's economic losses. The discipline inspection and supervision organs at all levels also verified and clarified facts with regard to complaints against 935 party cadres.

In the aspect of opposing various types of unhealthy tendencies, 387 economic entities run by the party and

government leading organs at and above the county level since 1992 were screened, and 353 of them were closed down, transferred, or disconnected from the parent organs according to the regulations. After the reorganization of these businesses, 392 people resigned from offices in administrative organs or business organizations. The practice of buying and changing sedans in violation of the relevant regulations in some local government institutions was screened and corrected. Irregular fees and charges were also checked and effectively banned, and management in this regard was strengthened, with over 3.2 million yuan of irregular fees and charges discovered.

Qinghai Holds Radio, Television Work Conference

HK3003071095 Xining Qinghai People's Radio Network in Mandarin 2300 GMT 17 Mar 95

[FBIS Translated Text] On 17 March, the provincial broadcast and television work conference was held in Xining. Provincial leaders Yang Maojia, Liu Wanghe, Zhao Ledi and responsible comrades of the relevant departments attended the meeting. At the meeting, the central leading comrades' important instructions on the broadcast and television work and the spirit of the national broadcast, movie, and television work conference were relayed.

Wang Huiru, director of the provincial broadcast and television department, gave a speech at the meeting on the situation of the broadcast and television work in this province and the tasks and targets for the work in 1995. He said: In the last few years, the propaganda work done by the radio and television networks of this province adhered to the correct orientation, created a favorable ideological and public opinion environment for reform and opening, broadcast a number of series reports which had great influence among the masses, and created a number of popular columns, special-theme programs, and live broadcast programs. In 1994, the provincial television station broadcast 17 hours of programs in one month continuously through the Western China Broadcast Corporation channel of the United States' Oriental Satellite Television. Through Qinghai Television Station, all local television stations actively provided their own programs to China Central Television [CCTV]. Over three consecutive years, the Qinghai news and economic information adopted by CCTV numbered more than 300 items. Through the Qinghai Provincial Radio Network, the local people's radio stations in all parts of the province actively provided news reports for tens of radio stations in the whole country. They provided an average of over 600 items every year. This effectively gave publicity to Qinghai.

Wang Huiru said: At present and for a certain period to come, the broadcast and television stations in the whole province should, on the premise of adhering to the correct public opinion orientation, make great efforts to improve their news programs, increase the frequency of

news broadcasts, increase the quantity of information, broadcast news reports as soon as possible, and strive to raise the rate of radio broadcast coverage to 70 percent of the total population and raise the rate of television coverage to approximately 80 percent of the total population. In the period of the Ninth Five-Year Plan, we should strive to complete the construction of Qinghai Broadcast and Television Center and enable people in all townships to see the provincial and central-level television programs, thus raising the broadcast and television undertakings in this province to a new level.

Tian Yuan, director of the Propaganda Department of the provincial party committee, also attended the meeting and gave a speech at the meeting.

Xinjiang Deputies Return After Attending NPC
*OW2703015295 Urumqi Xinjiang Television Network
in Mandarin 1330 GMT 20 Mar 95*

[From the "Xinjiang News" program]

[FBIS Translated Text] After attending the Third Session of the Eighth National People's Congress, Xinjiang deputies returned to Urumqi by plane today. Regional party, government, and military leaders Zhang Fusen, Zhang Yinchuan, Xie Fuping, Hedeerbai, Turbayim, Amina Apaer, Wufuer Abudula, Yibulayin Rouzi, Sulaiyiman, and Kurban Aierxiti welcomed the deputies at the airport. [video opens with a long shot of a plane taxiing along a runway and cuts to a shot showing the Xinjiang deputies walking down the ramp and being welcomed by other Xinjiang leaders]

Wang Lequan, acting secretary of the Xinjiang autonomous regional party committee; Abdulahat Abdurixit, chairman of the regional government; and others were interviewed at the airport by a reporter of Xinjiang TV Station.

[Begin Wang recording] I think this session was very successful. Its atmosphere was very good. All attending

deputies were very earnest in discussing the government work report and a few more reports, and made many constructive suggestions for solving difficult problems in the national economy. I think this is very good for our economic work this year. Therefore, I think the session was a success, because it played the role of unifying people's thinking and encouraging all of us to do our work well this year. The central authorities place high hopes on Xinjiang. The state has made Xinjiang its major cotton-producing area and has adopted other preferential policies toward Xinjiang. [words indistinct] This has created a very good opportunity for Xinjiang. The Xinjiang deputies were very excited about this. Xinjiang deputies have also seriously discussed other problems concerning industry and commodity prices. After returning to Xinjiang, we will go to work immediately to ensure that our plans are implemented well. [end recording]

[Begin Abdurixit recording] We went to the NPC session with high expectations. We hoped to report to the central authorities the progress of our work over the past few years, and the central authorities' support for Xinjiang. [words indistinct] I think the NPC session was a great success. Deputies earnestly discussed all reports delivered at the session. They have become more aware of our tasks this year. In particular, we have enhanced our confidence by attending the NPC session after convening our Xinjiang people's congress meeting. [end recording] Amudun Niyaz, chairman of the Xinjiang Autonomous Regional People's Congress Standing Committee, said that this NPC session was very successful, and that it was a meeting of unity and inspiration to the people. [video shows Niyaz is being interviewed by a reporter]

[Begin Aisihaiti Kelimubai recording] The state leaders are very concerned about the Xinjiang delegation and Xinjiang's work. General Secretary Jiang and Vice Premier Zhu Rongji visited our delegation and joined us in discussing the government work report. They made very good suggestions for Xinjiang's development in the days to come. We are very satisfied and pleased. [end recording]

Taiwan Organizations May Remain in Hong Kong
HK2903133995 Beijing ZHONGGUO XINWEN SHE
in English 1246 GMT 29 Mar 95

[FBIS Transcribed Text] New York, March 29 (CNS)—On the premises of "one country, two systems", Taiwan organizations may remain in Hong Kong after 1997, Lu Ping, director of Hong Kong and Macao Affairs of China's State Council and deputy director of the Preliminary Working Committee (PWC) of the Hong Kong Special Administrative Region (SAR), said at a lunch meeting in Chicago yesterday.

When being asked whether English would remain the official language in Hong Kong after 1997, Lu replied that both Chinese and English will be concurrently used as the official languages because English is the universal language prevalent in the international business sector.

On the question of the new airport in Hong Kong, Lu said that although there are still disagreements, construction work is in progress.

To ease the worries of some people that the issue of Sino-U.S. intellectual property rights would affect Hong Kong's trade ties with the mainland after 1997 Lu affirmed that, except for a number of laws concerning

the national ensign, emblem, territorial waters, and aerial territories that are applicable to the whole country, Hong Kong can maintain its own judicial system. And since the patent law is a separate issue, the conflict between China and the U.S.A. will not implicate Hong Kong.

Afterwards, conveners of ad hoc subgroups of the PWC who accompanied Lu to the U.S.A. gave a briefing on the judicial system and the role in economic affairs and public security in the post-1997 Hong Kong SAR.

According to Nellie Fong Wong Kut-man, one of the subgroup conveners, Hong Kong plays a very important role in China's economy. At present, Hong Kong accounts for as much as 40 percent of the foreign capital injected into China and the relations between China and Hong Kong after 1997 will be even closer, making Hong Kong's position more strategical.

Other than the handover of sovereignty to China, said Rita Fan, another subgroup convener, there will not be many changes after 1997. For example, law enforcement agencies such as the police, immigration and customs and excise departments can maintain their independent operations and people, including investors, can expect a brighter and wealthier Hong Kong in 1997.

Media View Qiandao Lake Incident

Families Head for PRC

OW3003052895 Taipei CNA in English 0121 GMT 30 Mar 95

[By Flor Wang]

[FBIS Transcribed Text] Taipei, March 29 (CNA)—A 17-member group composed of representatives of the families of the 24 Taiwan tourists killed in the Qiandao Lake incident last year left for Mainland China on Wednesday [29 March] on the eve of the anniversary of the incident.

A total of 32 persons, including 24 Taiwan tourists and eight mainland guides and crew, were robbed and burned to death last March 31 aboard a sightseeing boat on Qiandao Lake, in southeastern Zhejiang Province.

Although three men were arrested and executed for the crime, many believed that the real culprits may still be at large.

In addition to holding a memorial service to honor the spirits of the dead at the site of the incident on Friday, the anniversary of the tragedy, the families of the victims will discuss with Zhejiang Province authorities and the owner of the cruise ship the issue of compensation due the families, as well as the possibility of erecting a memorial tablet at the lake, a spokesman of the group said before the departure at the airport.

The spokesman said the families want the tablet erected to call attention to both mainland and Taiwan tourists to the site the importance of safe travel, although he lamented the fact that travel in Mainland China remains unsafe a year after the killings.

The group is scheduled to return to Taipei on April 4, he said.

Still Casts Shadow

HK3003054895 Hong Kong SOUTH CHINA MORNING POST in English 30 Mar 95 p 8

[By Dennis Engbarth in Taipei, Irene So and Ada Yuen]

[FBIS Transcribed Text] Nearly a year after 24 Taiwanese tourists and eight mainland Chinese crew members were murdered on Lake Qiandao, the problems exposed by the deaths and the clumsy handling by mainland Chinese officials continue to cast a shadow on cross-strait relations.

Professor Tien Hungmao, president of Taipei's private Institute for National Policy Research, said: "The Lake Qiandao incident symbolised the grave lack of mutual understanding and tense state of cross-strait relations last year." He said "even though we can't say that there has been much substantive progress", the mood at top levels has moderated considerably in recent months, benefiting "the stability of cross-strait ties".

Professor Tien noted little progress had been made in resolving serious problems exposed by the March 31 incident, including shortcomings in the legal and judicial systems on the mainland, lack of recourse for Taiwanese visitors and corruption at central and local levels on the mainland. "The Lake Qiandao incident can't be seen as an isolated and special case, but an especially severe example of a widespread phenomenon," Professor Tien said. "Taiwan tourists and businessmen, just as Hong Kong residents, face harassment and harm on the mainland from criminals and officials, but there are no proper channels by which they can secure protection or compensation," he noted. "This is a grave problem in the cross-strait relationship which the mainland authorities have not moved effectively to improve."

Concern over the risks of mainland travel was reflected in the decline for the first time since the 1980s in the number of Taiwan residents travelling to Hong Kong. In the first 11 months of 1994, only 1.06 million Taiwanese visited Hong Kong, 276,600 fewer than in the same period in 1993. The deputy chairman of the Travel Industry Council of Hong Kong, Simon Hau Suk-kei, estimated that 20 to 30 percent of mainland tours heading to Zhejiang, the Three Gorges and the eastern China were cancelled last summer. The number of visitors only bounced back to normal levels in the final quarter.

But mainland tourism officials expressed optimism the market would recover this year. "There will be no problem in the numbers going back to 1993 levels this year as long as the tension between Beijing and Taipei eases," a spokesman for Fujian Tourism Bureau said yesterday.

In Zhejiang, although the overall number of overseas tourists grew more than 10 percent last year, those from Taiwan fell dramatically. Only about 7,000 Taiwanese visited Lake Qiandao last year—one-third of that in 1993.

But while Taiwanese tourists stayed away, there was a jump in visitors from other Asian countries, such as Singapore and Thailand. The tourism officials attributed the growth to the improved safety measures after the incident. "More security officers were sent to guard every scenic spot," Wang Jin, spokesman for the Qiandao Lake Tourism Bureau, said yesterday.

Officials To Join Next Cross-Strait Round

OW3003051995 Taipei CNA in English 0116 GMT 30 Mar 95

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, March 29 (CNA)—Government officials from Taiwan for the first time will participate in technical talks with Mainland China when the two sides meet for their eighth round of discussions, an official with the Mainland Affairs Council (MAC) said Wednesday.

"They (the officials) will attend the talks in their capacity as experts for the Straits Exchange Foundation (SEF)," the MAC official said, although he added that their ranking will not be higher than section chiefs.

The SEF is a quasi-official intermediary body organized to handle private exchanges with Mainland China in the absence of official diplomatic links between the two sides. Its mainland counterpart is the Association for Relations Across the Taiwan Strait (ARATS).

The MAC official emphasized, however, that Taiwan's chief negotiators to the talks will come from the SEF. Both sides have yet to settle on the date and agenda for the talks.

According to sources close to the MAC, the highest government agency authorized to charge mainland affairs, Taipei wants the discussions to be centered on the repatriation of mainland hijackers and illegal immigrants, as well as fishing disputes.

SEF delegates will play key roles in the talks regarding the repatriation of illegal mainland immigrants and hijackers, the MAC official indicated. The two sides came close to reaching an agreement on the issues at the seventh round of talks in Beijing, but hit a snag in the wording.

Officials with the Council of Agriculture and the Ministry of National Defense, meanwhile, will be present when fisheries issues are discussed, he said.

In addition, he said, negotiators are expected to exchange views on the protection of intellectual property rights and the solving of trade disputes. Officials with the National Bureau of Standards, the Interior Ministry's Copyright Committee, and the Justice and Finance Ministries will attend the discussions.

Discussions on an agreement to protect the interests of Taiwan-invested enterprises on the mainland, which has been a major concern of Taiwan, will not be discussed until SEF Chairman Koo Chen-fu and ARATS chairman Wang Daohan hold their next meeting, the MAC official pointed out. They held their historic first meeting in Singapore in April 1993.

Article Outlines IDF Missions, Procedures

OW3003042495 Taipei CHUNG-KUO SHIH-PAO in Chinese 6 Mar 95 p 4

[By Taipei-based reporter Lu Chao-lung (0712 2507 7127)]

[FBIS Translated Text] It has been learned that according to a relevant military unit's computer simulation, chances of the Indigenous Defense Fighter (IDF) being damaged during combat are much lower than that of the Chinese Communist Chien-8 [Jian-8] fighter. The IDF has the capacity to carry out preemptive raids (strikes) on six major airports along the Chinese Communist coast while also carrying out "strengthened

reconnaissance and patrol [wei li chen hsun 1218 0500 0259 1559]" missions. The IDF has a combat radius [tsu chan pan ching 0155 2069 0584 1777] of 600 nautical miles, thus covering cities in Mainland China to include Shanghai and Wuhan. The simulation pointed out that since joining the Air Force inventory, the IDF has been responsible for the following four major tasks: "emergency takeoff and intercept missions," "air combat and patrol," "strengthened reconnaissance and patrol," and "air cover [kung chung yen hu 4500 0022 2237 6233] missions." The IDF is structurally designed to go up against the Chinese Communist Chien-8 fighter; it accelerates better than the F-104; and its turning (continuously operating) radius is smaller than that of the F-5. Therefore, the IDF has no problems carrying out its four major tasks since joining the Air Force inventory.

"Emergency takeoff and interception missions" includes cases such as mainlanders hijacking planes to Taiwan and hostile planes attacking Taiwan. It has been learned that the IDF's combat format under this mission is as follows: The aircraft, equipped with four "Sidewinder" missiles, but without spare fuel tanks, turns on its afterburner and completes an emergency takeoff in three minutes. Its combat radius is between 70 and 90 nautical miles, and its combat duration is three minutes. It is to fire all its missiles. Immediately afterward, it will use ordinary engine power—without turning on the afterburner—to climb to an optimum altitude. Then, it will return to the base at optimum speed and optimum altitude. Eventually, it will land at the base with enough fuel for a 10-minute flight. If it cannot land at the base, the leftover fuel will enable it to land at another airport.

"Air combat and patrol" missions include cases such as dawn patrols (about one hour) and daily routine patrols over the Taiwan Strait. It has been learned that the IDF's combat format under this mission is as follows: The aircraft, equipped with four missiles and two spare fuel tanks, each containing 275 gallons of fuel, completes ground operating procedures in 10 minutes. It takes off by turning on its ordinary engine power (without turning on the afterburner). Its combat radius is 70 nautical miles. After reaching its designated zone, it will maintain an optimum cruising speed for fuel conservation. It will await further instructions and stay in the air for another 60 to 90 minutes. On receiving combat instructions, it will discard the spare fuel tanks, dive, and engage in combat. Its combat duration is three minutes. Eventually, it will also land at the base with enough fuel left for a 10-minute flight.

"Strengthened reconnaissance and patrol" missions are missions in which the aircraft passes the middle line of the Taiwan Strait and cruises along the coast of Mainland China. Almost all the Air Force pilots have undertaken this task at one time or another. It has been learned that the IDF's combat format under this mission is similar to that of the "air combat and patrol" mission. The only differences are that its combat radius increases to 600 nautical miles and its cruising speed is about 400

nautical miles. It has been pointed out that with a combat radius of 600 nautical miles while carrying out the "strengthened reconnaissance and patrol" mission, the IDF is capable of conducting preemptive raids and strikes at airports along the Chinese Communist coast.

"Air cover missions" include cases such as providing a shield for reconnaissance aircraft to conduct surveillance and take photographs along the coast of Mainland China. It has been learned that the IDF's combat format under this mission is similar to that of the "air combat and patrol" mission. The only difference is that its combat radius increases to 250 nautical miles.

*Article Views Taiwan-Built Fighter Planes

95CM0161A Taipei CHIEN-TUAN K'E-CHI
[DEFENSE TECHNOLOGY MONTHLY] in Chinese
No 125, 1 Jan 95 pp 8-21

[Article by Sung Yu-ning (1345 3768 1337), Chan Hao-ming (6124 4110 0682), and Wei Yi (7279 1837): "Taiwan-Made Fighter Planes Take to Skies"]

[FBIS Translated Text] It was early winter in Tai-chung. A cold northerly wind began blowing across the empty apron at Tai-tu-shan. The shrieking of fighter planes, long absent from the Ching-chuan-kang Air Force Base, has now been replaced by the low humming of engines. Ching-chuan-kang is waking up.

Development Background

On 28 December 1994, after 11 years of hard work, a combat squadron refitted with ROC [Republic of China]-made IDF [indigenous defense fighter] fighter planes—the 8th Squadron of the 3d Battalion of the ROC Air Force—formally came into existence at last.

In 1982, the United States signed the August 17 Communiqué with the PRC. Subsequently it turned down Taiwan's proposal to purchase the F-16A/B and an alternative plan to acquire the F-20 and F-16/79 F-X fighter planes. That prompted Taiwan to make up its mind to develop its own fighter planes. In 1983, the Aviation Industry Development Center [AIDC] under the Chung-shan Academy of Sciences formally launched the An-hsiang Project to research and develop the IDF. The project consisted of four sub-projects. They were the Ying-yang project (in cooperation with General Dynamics Corporation) which made the air-frame; the Yun-han project (in cooperation with Hughes Corporation), which designed the engine; the Tian-lei project (in cooperation with Westinghouse Company), which took care of the avionics system; and the Tian-chien project, which developed the weapons system.

The IDF fighter plane entered full-fledged development in 1985. On 10 December 1988 the first prototype of a single-seat IDF officially rolled off the assembly line at an AIDC plant. (For details, see No. 53, p 4, of this magazine.) Unfortunately the second single-seat prototype (78-8002) crashed in the ocean off Tai-chung on 12

July 1991, and test pilot Wu Ke-chen [0124 0344 2182] died in the line of duty. In April 1992, the ROC Air Force took delivery of the first preliminary production model IDF (1401) and formally established a detachment of instructors within the 7th Squadron of the 3d Battalion. (For details, see No. 103, p 4.) In January 1994, the ROC Air Force began taking delivery of production-model IDF's.

Table 1. Numerical Designations Of IDF's

Type of Plane	Single-seat	Double-seat
Prototype	10001	
	10002(note)	
	10003	
		10004
Preliminary Model	1401-1406	
		1601-1604
Production Model	1407-1421	
		1605-1612

Note: Crashed

Refitting the Air Force: Current Situation

A total of four prototypes were built in the course of developing the IDF, including three single-seaters (10001-10003) and one double-seater (10004). The first single-seat prototype had its first test flight on 28 May 1989, the second on 27 September 1989, the third on 10 January 1990, and the double-seater on 10 July 1990. Except for the second single-seater, which crashed, all three prototypes can still be seen at Ching-chuan-kang base undergoing test flights.

After completing the delivery of 10 preliminary production-model IDF's (six single-seaters and four double-seaters) in November 1993, the AIDC has been shipping production-model IDF's to the 3d Battalion at the rate of two a month starting January 1994. As of early December 1994, 32 IDF fighter planes were stationed at Ching-chuan-kang Air Force Base, including 10 preliminary production-model planes and 24 [as published] production-model ones (14 single-seaters and 8 double-seaters).

The refitting of the entire 3d Wing of the Air Force with IDF's consisted of three stages. The first stage was one of preliminary preparation. The second stage was mainly taken up with the retraining of a host of specialized instructors and the compilation and verification of manuals, standards, and standard operating procedures. The third stage was devoted to the refitting of the troops.

Right now the 8th Squadron is charged with war preparation, while the responsibility of the 7th Squadron remains seed instruction. It is charged with the training of pilots for other squadrons. After the 3d Battalion is refitted with IDF's, the 7th Squadron will continue to provide flight training for aviators from the 3d Squadron. As for the bulk of the testing and verification

and technical order revision work on the IDF planes, it is carried out by the AIDC and the testing evaluation team of the 3d Wing.

As a matter of fact, even before the 8th Squadron officially took up air defense war preparation in late December 1994, the IDF fighter planes at Ching-chuan-kang already executed a few missions because of operational needs. According to Major General Shih Chi-min [0670 3444 3046], Air Force Academy Class of '52, who became commander of the 3d Wing in January 1994, and who previously served as deputy chief of the An-hsiang project planning office back in 1991 and has flown 2,200 hours on the F-104, with a total flying time of 3,500 hours, every IDF fighter plane at Ching-chuan-kang base took part in the Han-kuang 11 military exercise on 29 September 1994. In addition, IDF's from the 3d Wing flew precautionary and patrol missions over the Taiwan Strait on 3 December, the day when mayoral and gubernatorial elections were held.

The Production-Model IDF

There remain some differences between the batch-processed version of the plane now being delivered to the 8th Squadron and the preliminary production model delivered to the 7th Squadron earlier. However, most of the differences are in the internal systems software while the interior has changed little.

As far as the production-model single-seat IDF is concerned, the biggest change is that instead of the three-panel, side-entry cabin hood found on the preliminary production model of the plane, the production model features a single-panel lift-out hood originally found on the prototype and similar to one used on the F-16. Another change is that while the preliminary production model has a black radar warning antenna protruding from the nose wheel hatch cover, this was replaced in the production model by a flat flexible antenna. A similar antenna can now be found on the double seater. The preliminary production version of the double seater has three shutter-like openings. They have been eliminated from the production model.

Another important but not readily noticeable change is that after the second prototype single-seat IDF crashed, a triangular strip has been added to the back of both the upper and the lower wing surfaces of the flaperon on either side, a modification made on single-seaters and double-seaters alike in order to improve the plane's stability when it accelerates upon breaking the sound barrier.

As for the weapons system, all IDF's now in service, whether single-seater or double-seater, sport an outstanding gun muzzle design, spray-painted with the same camouflage colors as the body of the plane. However, the preliminary production model is still a combination of several designs. Some keep the exterior of the gun muzzle of the prototype; others are fitted with the gun muzzle of the production model while retaining the original metallic color.

Turning to the missiles carried by the IDF, most IDF's are currently equipped with a mix of AIM-9P4 rattlesnake missiles and Tien-chien 1 missiles. As for the trough inside the plane, over half of the planes are fitted with an auxiliary tank hanger instead of the Tien-chien 2 medium-range air-to-air missile. According to flight officers from the 3d Battalion, no IDF currently being delivered to the troops has the capacity to launch Tien-chien 2 missiles, with the exception of 10 refitted planes. The majority will not be refitted until they are returned to the factory for maintenance work. Furthermore, pilots from the 7th and 8th squadrons have only test-launched Tien-chien 1 air-to-air missiles. During the Han-kuang 11 military exercise in 1994, it was a pilot from the 7th Squadron who shot down an opti-thermal bomb with a Tien-chien 1 missile launched from an IDF.

The IDF differs from the Air Force's more traditional warplanes, such as the F-104 and F-5E/F, in the line transmission flight control and jacking indicator and in the Chin-lung 53 radio aviation electronics system. The IDF represents a major improvement upon the traditional planes in life-saving equipment. It is fitted with a new Ma-ting-pei-ke MK12 ejection seat, which contains a MK12 personal parachute, lifeboat, and MKX12J emergency pack. Unlike the F-5E/F pilot, therefore, the IDF pilot does not have to board the plane carrying a parachute weighing dozens of kg. Nor does he have to wear a life-saving vest, unlike his F-104 counterpart.

These days an ROC Air Force pilot flying the IDF only needs to put on a manually inflatable life-saving vest under his arms, a CSU13B/P, and a harness torso-assy rapid-release vest in addition to a one-piece flying suit. The newly equipped harness torso-assy vest has two straps on the chest designed to attach the pilot to the ejection seat. It also is equipped with two rapid-open locks. The lower torso also is equipped with a strap connected to the lifeboat and the emergency pack inside the ejection seat. According to pilots from the 7th Squadron, the LPA-1 model used by U.S. Navy pilots will soon be introduced, which is fitted at the neck with a life-saving vest, including an automatically inflatable air sac. This will avoid a situation in which a pilot is unable to inflate his life-saving vest upon losing consciousness when his parachute hits the water.

Personnel Training

Personnel training for the IDF fighter plane consists of two parts. Part one refers to pilot training. The number of pilots to undergo this training is mainly determined by the quantity of planes delivered by the AIDC. There were only two and four fliers in the first and second batches, respectively, for instance. As more planes were delivered subsequently, the third and fourth batches each comprised six fliers.

According to Lt. Col. Chang Su-wei [1603 0934 0251], Air Force Academy Class of '68 and currently commander of the 7th Squadron, who holds a master's

degree in management from George Washington University and was formerly deputy chief of the weapons acquisition office at Air Force headquarters, training for IDF pilots presently consists of three stages. To begin with, there is a two-month CTS transitional refitting training course, followed by the first [expansion unknown] stage—training on the ground. The second stage takes place in the flight simulator. The third stage covers aviation science, including the basics of aviation, training in basic tactics, and basic combat. Altogether the three stages last about half a year and include 500 flying hours. Only trained pilots can formally take up war preparation missions.

As a matter of fact, refitting training currently undertaken by IDF pilots is extraordinarily arduous, lasting 10 hours daily. Two batches of trainees undergo flight training each day, one in the morning and one in the evening, while three batches of flight instructors do so daily. An instructor or trainee assigned to the first batch must report for his mission at 0500 or so—after receiving instructions on the mission.

The training of ground and maintenance personnel also includes CTS transitional refitting training and on-the-job training lasting four to six months. Apart from a small percentage which has yet to be delivered, most of the necessary ground and maintenance equipment and tools have been turned over to the 3d Repair and Maintenance Battalion of the Air Force as planned. The training of all IDF repair and maintenance personnel is scheduled to be completed by late 1995. Only then will it be equipped to repair and maintain parts and components.

What qualifications should the maintenance personnel for the second generation of warplanes possess? Col. Liang Hsin-ming [2733 2450 494], Air Force Communications Electronics School Class of '63, who heads the 3d Maintenance Squadron and has worked with the F-104, T-33, AT-3, and IDF planes, said that the new generation of air force maintenance personnel should have two sets of special attributes. The first set consists of strong repair and maintenance skills; the individual must be able to carry out maintenance work step by step in accordance with technical specifications. The second set of attributes consists of enthusiasm and conscientiousness. At a time when technical specifications on the IDF are still less than perfect, only maintenance personnel who enthusiastically look for and correct flaws can make the IDF an even more sophisticated war plane in the course of time.

Successor Refitting Plan

The ROC Air Force refers to the refitting of the entire service with IDF fighter planes as the Hu-huan-shan Project. Specifically, He-huan-shan I means training seed instructors and taking delivery of the IDF preliminary production model.

Currently under way is He-huan-shan II, which was launched in January 1994, and essentially consists of

refitting the 3d Wing with IDF production models. Specifically, it took one year to refit the first squadron, which happened to be the 8th Squadron, the same unit that formally took up war preparation on 28 December 1994. The refitting of the next squadron is scheduled for January through October 1995. The refitting of the last squadron will begin in November 1995. By the end of June 1996, the refitting of the entire 3d Battalion will have been completed, giving it a total of 43 IDF single-seaters and 17 double-seaters. In late December 1994, the 28th Squadron began receiving refitting training at the seed instructor training squadron.

The last stage is He-huan-shan III, which consists mainly of refitting the 1st Wing at Tainan base. The deployment of all 120 IDF fighter planes is scheduled for completion by 1998. Of the IDF planes currently in service in the 8th Squadron, their primary responsibility is air defense interception. Meanwhile, the AIDC and the testing evaluation team will continue to develop the IDF's air-to-land attack capability so that the IDF of the future will be able to carry out such attacks.

Concluding Remarks

After the IDF entered active service, the 3d Wing has retired almost its entire fleet of F-104G/J fighter planes. These days the only F-104's you can see at Ching-chuan-kang base are all covered with waterproof cloth and parked on aprons between bunkers. Inside the hanger, they have begun deploying IDF planes. It is the silhouette of the IDF with its three-color camouflage that you can see gliding along the runway or taking off.

Based on the observations of this magazine's editor at Ching-chuan-kang base, the ROC's first homemade fighter plane is a high-performance warplane. It has reached a high standard both in personnel training and in the capability of its equipment. This is evident from their short taxiing distance on the runway before take-off, the current status of their missions, and their share of air defense work.

When all is said and done, however, the fact is that it has not been all that long since the IDF fighter plane was developed. Moreover, since testing work and production have been taking place almost simultaneously, every IDF that leaves the plant has to undergo minor modifications in technical specifications or systems software at the AIDC now and then. This requires fliers and maintenance personnel to expend even greater efforts to fly or maintain them, indirectly causing the rate at which they meet specifications to average below 80 percent at the moment.

As production-model IDF's continue to roll off the assembly plant in the future, there is room for improvement by the AIDC in such areas as the standardization of plane equipment and the production and supply of parts and components in order to make the most of the fighter plane's high-performance combat capability. The goal is to turn the IDF into a modern sophisticated war plane

capable of assuming the important air defense duties of the Mirage 2000-5 and the F-16A/B MLU before they were returned to the country and the services came into existence.

During the past four decades and more, the ROC Air Force has always relied on warplanes purchased from the United States. In contrast, we have now developed our own IDF from scratch, something all countrymen can be proud of, despite the fact that it is still not sophisticated enough and we need to work harder to improve it. Even more important, instead of criticizing them severely, we should redouble our encouragement to and support for those unknown heroes who have labored in silence long and hard both mentally and physically.

GATT Contracting Parties Meet on Trade Regime

OW3003051895 Taipei CNA in English 0131 GMT 30 Mar 95

[By Maurus Yang & Benjamin Yeh]

[FBIS Transcribed Text] Geneva, March 29 (CNA)—The Taiwan delegation that will negotiate here with representatives from five GATT contracting parties on Taiwan's trade regime flew into Geneva on Wednesday.

The 14-member delegation, led by Council for Economic Planning and Development Deputy Chairman Hsueh Chi, is composed of officials from the finance and justice ministries, the Ministry of Transportation and Communications, and the Central Bank of China.

They are due to meet the New Zealand delegation later Wednesday, with their talks centering on the opening of Taiwan's services industry and agricultural market. They will also meet with their Australian counterparts Thursday afternoon and then with the Canadian and European Union delegations on Friday. Their last meeting will be with the Chilean delegation on next Monday.

This is the second visit Taiwan negotiators have paid to the city this year to hold negotiations with GATT contracting parties.

Taiwan applied to join GATT in 1990 and has been admitted as an observer. It is expected to be given formal membership this year into GATT's successor body, the World Trade Organization.

Taiwan Customs Seizes 537 Grams of Heroin

OW3003063995 Taipei China Broadcasting Corporation News Network in Mandarin 2300 GMT 26 Mar 95

[Report by Wang Xianmao; from the "Hookup" program]

[FBIS Translated Text] The Investigation Bureau's Taipei Branch has announced that it has cracked an international narcotics smuggling case and seized three culprits and heroin worth NT [new Taiwan] \$30 million. The case is special in that the drug traffickers hid the narcotics in a toy as well as in metal tubes in their suitcases. Wang Xianmao reports:

[Begin Wang recording] The Investigation Bureau cracked the family-operated international narcotics case after a long period of surveillance. The smuggling group's operations covered Hong Kong, Taiwan, and Thailand. The narcotics was purchased by Li I-hsiung, an international narcotics operator, and then smuggled into Taiwan by his elder son, Li Jui-ching, and daughter-in-law Ma Yu-hua.

Upon Ma Yu-hua's return to Taiwan, the Investigation Bureau [words indistinct] found 537-grams of the narcotics from her luggage and a stuffed teddy bear. Based on clues, investigators later seized other two suspects, Wang Ming-chung and Li Jui-ching.

After finding the suspects hid the narcotics in the metal tubes of their suitcases, the Investigation Bureau notified the customs authorities to pay greater attention to checking luggage from now on. CBC reporter Wang Xianmao at the Investigation Bureau. [end recording]

Hong Kong

Media Cover Discussion of Hong Kong Budget

'Concession' Opens Way for Talks

HK3003064395 Hong Kong EASTERN EXPRESS in English 30 Mar 95 p 1

[By Rain Ren in Beijing and Wing Kay Po]

[FBIS Transcribed Text] After an apparent concession by China over talks on Hong Kong's transitional Budget, the Secretary for the Treasury, Donald Tsang, boarded a late-afternoon flight to Beijing yesterday to attend discussions that were once on the brink of being called off.

Britain and China have confirmed that their representatives will begin talks on Hong Kong's future Budget—apparently meaning the 1997-98 Budget—and other "related matters", after a compromise over China's role in Hong Kong's future budgetary matters was reached. China has in the past insisted that it has a say not only in the 1997-98 Budget, but also the next, 1996-97 Budget. This had resulted in a deadlock over the past two days as the Government maintained that Tsang's talks would only focus on the 1997-98 Budget.

However, a Chinese source in Beijing warned yesterday that the British side would be told at today's meeting that China's demand remains unchanged: that it has a say in the Government's 1996-97 Budget. The talks are going ahead after Beijing made what was taken as a last-minute compromise over the Government's agenda for the meeting and the wording of the announcement. According to the source in Beijing, China will also impress upon Britain the need for Hong Kong's future Budgets to be prepared according to the principle of "keeping expenditure within the limits of revenues", as stipulated in article 107 of the Basic Law. A statement issued separately by the British side does not mention the "transitional Budget" as a topic of discussion. Rather, it says the meeting will be on "Hong Kong's financial Budget and related matters for the transition period".

It is believed that differences between the two sides were resolved only after the Government had threatened to call off the talks yesterday afternoon unless an agreement was reached between the two sides on their scope. Yesterday morning, a top-level meeting was attended by the Governor, Chris Patten the Chief Secretary, Anson Chan; the Financial Secretary, Sir Hamish Macleod; the Joint Liaison Group British team leader, Hugh Davies; the JLG counsellor, Alan Paul, and the Secretary for the Treasury, Donald Tsang. A consensus decision was reached that Tsang was to stay in Hong Kong.

The British team, led by Tsang, then cancelled its planned 3:30pm Dragonair flight, despite the fact that the Chinese side flew to Beijing early yesterday morning. In the meantime, intense tete-a-tete talks went on during

the afternoon between Davies and his Chinese counterpart, Zhao Jihua, on the scope of the meeting. The two men reached an agreement at 4pm. This enabled Tsang and his team finally to board a 6pm plane to Beijing.

The British side was clearly elated at the apparent resolution of the differences. "We were clear in our minds that we needed talks. We simply need to continue the dialogue with the Chinese side in order to clarify the scope of the talks, and I think we have done that. Everybody now is happy that Tsang and his team are up there and we look forward to a productive round of talks with the Chinese," a senior Government official said.

Before boarding, Tsang was adamant the talks would focus on the 1997/98 Budget. Government officials believe it is important to stand firm on the issue, as it relates to the autonomy promised to Hong Kong in the Joint Declaration and the Basic Law.

Discussion Opens

OW3003134395 Beijing XINHUA in English 1307 GMT 30 Mar 95

[FBIS Transcribed Text] Beijing, March 30 (XINHUA)—The first meeting to discuss Hong Kong's budget during the transition period involving experts with the Sino-British Joint Liaison Group (JLG) opened here today.

"The budgets of the British Hong Kong authorities for fiscal year 96-97 and 97-98 are important since they are related to whether the political power of Hong Kong can be smoothly transferred to China in 1997", according to Chen Zuor, representative of the Chinese team, who made the remark after the meeting.

"As was clearly stated in the Basic Law, the fiscal policy of the future Hong Kong Special Administrative Region should try to strike a balance between revenues and expenditures, avoid deficits, and be in compliance with the growth in the local output value," Chen said.

He urged the British government to stick to the principles in handling Hong Kong's financial affairs in the period remaining before the transfer, "to strive for the stable transition of Hong Kong's finances before and after 1997, and to put the minds of the six million Hong Kong residents and international investors at ease."

On China's stand on the consultancy, Chen pointed out that since the budget for fiscal year 96-97 is closely related to that of the 97-98 period, the British side should solicit the views of the Chinese before finalizing the 96-97 budget, while the 97-98 plan should be worked out by both the Chinese and British sides, with the former acting as the main force.

He urged the British to take steps so that Chinese experts can take part in budget discussions at the earliest possible time.

Chen said that he welcomed the British side's final agreement to participate in the consultations.

According to him, the Chinese group is made up of officials from departments under the central government and experts along with four notable persons from Hong Kong finance and economy circles.

The four advisers, Nellie Fong Wong Kut-man, Shao Yubao, Sze-Yuen Chung, and Philip Wong, are committed to not disclosing any information or sensitive documents concerning the consultations, and not seeking personal gain in their roles as advisers.

PRC 'Welcomes' UK's Hope for Improved Ties

OW3003133095 Beijing XINHUA Domestic Service in Chinese 1132 GMT 30 Mar 95

[FBIS Translated Text] Beijing, 30 Mar (XINHUA)—When answering reporters' questions this afternoon, Foreign Ministry Spokesman Chen Jian said, "China welcomes Britain's expression of its 'hope to improve Sino-British relations.'" He also emphatically expressed the hope that the British side would reduce trouble, do more practical things, and increase cooperation in dealing with Sino-British relations and the Hong Kong issue.

A reporter asked, "Former Prime Minister Thatcher is currently visiting China. Former Prime Minister Heath and Michael Heseltine, current secretary of state for trade and industry, will also visit China. Does this mean Sino-British relations are improving?"

Chen Jian replied, "Mrs. Thatcher is visiting China as a guest of the Institute of Foreign Affairs. Mr. Heath will come to Beijing to attend the '1995 China International Economic Forum,' and Heseltine, British secretary of state for trade and industry, will visit China at the invitation of Wu Yi, minister of foreign trade and economic cooperation."

He continued, "The British side recently expressed, time and again, its hope to improve Sino-British relations. We welcome this. We hope that the British side will turn the aforesaid expression into concrete action by reducing trouble, doing more practical things, and increasing cooperation in dealing with Sino-British relations and the Hong Kong issue so as to facilitate the improvement of Sino-British relations and the smooth transfer of power and smooth transition in Hong Kong."

UK Urged To Cooperate Over New Airport Issue

OW3003035995 Beijing XINHUA in English 0351 GMT 30 Mar 95

[FBIS Transcribed Text] Hong Kong, March 30 (XINHUA)—China today urged the British side to make a positive response to the opinions and suggestions put forward by the Chinese side regarding the issue of the two financial support agreements for the new airport in Hong Kong.

A source from the Chinese side on the Airport Committee under the Sino-British Joint Liaison Group said that the Chinese side has always supported the construction of the new airport in Hong Kong and has been hoping for an early consensus over the financial support agreements.

However, the source pointed out that whether or not a consensus over the agreements could be reached depends on the common efforts of the two sides.

The source gave no details on the opinions and suggestions made by the Chinese side concerning the two financial support agreements.

On Wednesday [29 March], the Chinese side on the Airport Committee announced here that China had reached a consensus over the issue of the Airport Corporation Bill in its negotiations with Britain.

A spokesman of the Chinese side said that the consensus reached between the two sides would be conducive to the talks over the issue of the two financial support agreements for the Hong Kong new airport.

Last November China and Britain signed an agreement on the overall financing arrangements for the Hong Kong's new airport, ending a 30-month negotiations over the issue.

Under the agreement, Britain agreed that the Hong Kong government would inject not less 60.3 billion HK dollars (7.7 billion US dollars) of equity into the 20 billion US dollar project and would cap the debt at 23 billion HK dollars (2.95 billion US dollars).

Located at Chek Lap Kok, an islet 25 kilometers west to Hong Kong Island, the new airport is believed to serve a big boost to the local economic development upon its completion.

Qiao Discusses Hong Kong With UK's Thatcher

OW3003091395 Beijing XINHUA in English 0844 GMT 30 Mar 95

[FBIS Transcribed Text] Beijing, March 30 (XINHUA)—Qiao Shi, chairman of the Standing Committee of the National People's Congress (NPC) of China, today called for British cooperation with China on the issue of Hong Kong.

Such cooperation "is in line not only with the interests of China and Hong Kong, but also with the immediate as well as long-term interests of Britain," Qiao told former British Prime Minister Margaret Thatcher at the Great Hall of the People here this morning.

Qiao expressed the hope that the British side would cease to be obstructive, do more on specific issues and increase cooperation with China on the issue of Hong Kong.

The great concept of "one country, two systems," initiated by Deng Xiaoping, will be followed earnestly by the China, in the future as in the past, Qiao stressed. [sentence as received]

A decade ago Lady Thatcher came here and held significant talks with Deng. She signed with the Chinese side the Sino-British Joint Declaration on the Issue of Hong Kong. This laid the ground for the settlement of the Hong Kong issue between the two countries and guaranteed the resumption of the exercise of sovereignty over Hong Kong by China.

Voicing his appreciation for Thatcher's efforts in the development of Sino-British ties and in the settlement of the Hong Kong issue, the NPC leader expressed the hope that she would contribute further to improving relations between the two countries.

Lady Thatcher described the "one country, two systems" concept as the idea of a "genius," saying that it has been proved to be correct. She also voiced the hope that the two countries would cooperate to ensure the smooth transfer of Hong Kong and its prosperity and stability.

During the meeting, Qiao briefed Thatcher on the NPC's functions, composition and operations, saying that the NPC's work is being improved and strengthened.

Thatcher and her party left here for Hong Kong this afternoon, ending a three-day visit to China as guests of the Chinese People's Institute of Foreign Affairs.

Tug, Vessel Hijacked Near High Island

HK3003054695 Hong Kong SOUTH CHINA
MORNING POST in English 30 Mar 95 p 1

[By Darren Goodsir and Andy Gilbert]

[FBIS Transcribed Text] A top-level police delegation will travel to China today to seek the immediate release of at least two Hong Kong men, as it emerged that mainland security forces had pointed sub-machineguns at officers trying to prevent their abduction. Police will also prepare to send to Whitehall a demoralising report on the unauthorised incursion stating that the force might have "already lost control to PRC authorities".

In the morale report, officers involved in the three-hour standoff express their "dismay" over a visit by Border Defence Security Bureau (BDSB) chiefs to Marine Region headquarters only five days after officers under the delegation's direct command had intercepted the tug and abducted its crew. The visit was made two days after an official protest was lodged by Political Adviser Robert Peirce. "Officers view with dismay the continuation of a courtesy visit by the BDSB and feel that it should have been postponed until a resolution of the incursion and illegal arrest was found and an apology forthcoming," the secret papers state. "The unsympathetic ... handling of the blatant incursion by an element of the BDSB and the presenting of arms at police officers on March 18, 1995 has heightened the fear that we have already lost control to PRC authorities."

The leaking of the morale report and the police mission to Zhuhai reveals the seriousness of the diplomatic row

over the capture on March 18 of the men and the failure of the Chinese to respond to official protests. Deputy Commissioner (Operations), Peter Wong Tsankwong, will lead the visit to Zhuhai. Last year, he had helped engineer the release from China of several luxury yachts stolen from territory moorings. He will be accompanied by Acting Assistant Commissioner (Operations) Dick Lee Ming-kwai and Acting Regional Commander (Marine), Spencer Foo Tsun-kong. Their primary mission is to secure the men's release, in line with an order from the Governor to Police Commissioner Eddie Hui Ki-on in secret talks on Tuesday. They will also demand reasons for the incursion in which a tug, *Wo Lee*, and a metal derrick lighter, 20026P, were hijacked near High Island.

As the police delegation readied to leave, the South China Morning Post obtained a startling force situation report of the incident in which shots were fired. It states:

- Police had sub-machineguns pointed at them repeatedly, most threateningly when they tried to board the Chinese vessel
- Some of the Kung Bin (border security) officers on board the speedboat, K4418, wore hoods over their heads to protect their identity.
- An unhooded BDSB officer who appeared to be in charge was videotaped at close range by Hong Kong police.
- The BDSB refused to give proof of their identity despite repeated requests.
- The master of another tug, believed to be a lookout for the Hong Kong-based vessels, witnessed shooting
- Police have officially disputed the explanation given by the hijackers that the vessel had been ordered to anchor in Chinese waters overnight. They claimed the vessel had broken loose from its anchor and drifted into Hong Kong waters. "This story does not stand up well ... given the relative positions of the vessels; the strong prevailing northerly winds and the lack of basic navigation equipment on the (Chinese) speedboat." the report says.

Editorial Urges Intervention in Hijacking Issue

HK3003055295 Hong Kong SOUTH CHINA
MORNING POST in English 30 Mar 95 p 18

[Editorial: "London Should Intervene"]

[FBIS Transcribed Text] Curbing the Chinese Public Security Bureau's apparent enthusiasm for armed incursions into Hong Kong waters requires toughness. But it also demands diplomacy of the behind-the-scenes, government-to-government, rather than the gunboat or the megaphone variety.

The Government's initial response to last week's kidnapping by uniformed mainland officers of local vessels in

local waters was weak. It would certainly not have sent the message that the territory's waters were a no-go area for high-handed action by the mainland authorities. The Marine Police were told to escort the vessels to the border without attempting to rescue the local craft and a decision was taken not to call in the navy.

Neither the assertion of British sovereignty nor the protection of Hong Kong's territorial integrity appeared high on the Government's agenda. Worse, there seemed little concern for the freedom of the men being abducted. That policy clearly required revision, and new guidelines on how to behave in such incidents were required. The navy, with its larger patrol ships and less restrictive rules of engagement, might have been able to face down the Chinese crews, without necessarily risking further gunfire. That is what it is there for, and it should not have been prevented from doing its job.

But the Governor's personal, high-profile intervention, ordering his security chiefs to review their rules of engagement appears excessively confrontational and may be counter-productive. An approach to central Government in Beijing through the Foreign Office is likely to have more effect than Government House grandstanding.

Police Seek Stronger Incursion Measures

HK3003055195 Hong Kong SOUTH CHINA
MORNING POST in English 30 Mar 95 p 2

[By Darren Goodsir]

[FBIS Transcribed Text] Police want to throw "fouling ropes" under marauding Chinese vessels to try to stop brazen future incursion attempts. It is understood Marine Police have suggested adopting a range of tactics to step up responses—the majority of which have previously been banned by the Security Branch for fear of angering China. These include laying ropes in front of offending vessels in the hope they will tangle with the propellers. They also canvass disruptive manoeuvres in front of Chinese boats.

On March 18, the Security Branch intervened to ban police taking stiffer action to prevent mainland vessels leaving Hong Kong waters. Police hope that, in the future—at the very least—a larger flotilla of vessels will be available to be rushed to the scene.

In the past, the Royal Navy has fired on suspected smuggling vessels and generally used stronger tactics than police. Consideration is likely to be given to reinstating naval personnel in Marine Police Headquarters to give the military first-hand knowledge of possible incursions by Chinese gunboats. This arrangement was terminated in August last year, officially on manpower grounds, but is thought to have been at the request of the police.

"At the end of the day," said one officer close to the recent fracas, "we would have to back off—but at least we would have tried a whole lot harder."

The examination of the rules of engagement followed a crisis meeting convened on Tuesday by the Governor Chris Patten, in which broader security and diplomatic options were examined to end the dispute. It is now believed Mr Patten was satisfied with the forces' measures.

At the meeting were Chief Secretary Anson Chan Fang On-sang, Commander British Forces Major-General Bryan Dutton, Police Commissioner Eddie Hui Ki-on, Secretary for Security Peter Lai Hing-ling and his deputy, Ken Woodhouse. Flaws in co-ordination between police, the Royal Navy and the Government, exposed by the hijacking, will be ironed out in a series of meetings.

Macao

Communications Minister Meets Macao Governor

OW2803132995 Beijing XINHUA in English 1249
GMT 28 Mar 95

[FBIS Transcribed Text] Macao, March 28 (XINHUA)—Macao Governor General Vasco Joaquim Rocha Vieira met here this morning with visiting Chinese Minister of Communications Huang Zhendong.

They fully affirmed the construction of the Macao airport, saying the project will play an active role in promoting local social and economic development.

Talking about the Portuguese president's forthcoming visit to China, Huang Zhendong expressed the hope that the visit would further strengthen friendly cooperation between the two countries and deepen mutual understanding, especially over Macao's transitional affairs, to guarantee a smooth transition and bring benefit to Macao residents.

Huang came to Macao Monday to take part in the celebrations of the completion of the Macao airport's artificial island and two bridge approaches and is scheduled to leave on March 31.

Ceremony Marks Completion of Airport Projects

OW2803170995 Beijing XINHUA in English 1507
GMT 28 Mar 95

[FBIS Transcribed Text] Macao, March 28 (XINHUA)—Some 400 people attended here today a ceremony marking the completion of the Macao Airport's artificial island and two bridge approaches.

Speaking at the ceremony, Chinese Minister of Communications Huang Zhendong praised the projects as a symbol of friendly cooperation between China and Portugal and a great contribution to Macao's economic development and prosperity.

Involving a total investment of 655 million US dollars, the three projects were contracted and constructed by the China Harbor Engineering Company, Zhen Hwa Harbor Construction Co. Ltd. and Tai Fok Wah Investment Ltd. of Macao.

The artificial island, reclaimed from the sea, has an area of 1.15 sq [square] km, on which the airport's 3,500 meter-long runway was built.

The two bridge approaches are 1,615 meters long and 700 meters long, respectively, and both have an average width of 44 meters.

Started in February 1992, the three projects were completed four months ahead of contracted deadline.

The Macao Airport, located in the sea area to the east of Macao's Taipa Island and Coloane Island, covers a total area of 192 hectares. The airport consists of a parking area, a runway built on the artificial island and two bridges approaches which connect the runway with the parking area.

The 913 million US dollar airport is expected to be in trial operation in June this year and open to flights in November.

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